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CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA
Internal Audit Executive

FILE COPY

October 17, 2012

Steven Wille, Chief Financial Officer
Doorways
4385 Maryland
St. Louis, MO 63108

RE: Supportive Housing Program (SHP) (Project #2012-HOM22)

Dear Mr. Wille:

Enclosed is a report of the fiscal monitoring review of the Doorways, a not-for-profit organization, SHP Programs, for the period October 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 Doorways. Fieldwork was completed on July 31, 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
Internal Audit Executive

Enclosure

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



CITY OF ST. LOUIS

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

**DOORWAYS
CONTRACT #62866, #62882, AND #62884
CFDA #14.235**

FISCAL MONITORING REVIEW

OCTOBER 1, 2011 THROUGH APRIL 30, 2012

PROJECT #2012-HOM22

DATE ISSUED: October 17, 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)
DOORWAYS
FISCAL MONITORING REVIEW
OCTOBER 1, 2011 THROUGH APRIL 30, 2012**

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INTRODUCTION

Background

Contract Name: Doorways

Contract Numbers: 62866, 62882, 62884

Contract Periods: November 1, 2011 through October 31, 2012 (62866)
October 1, 2011 through September 30, 2012 (62882)
January 1, 2012 through December 31, 2012 (62884)

CFDA Numbers: 14.235

Contract Amounts: \$235,272 (62866)
\$ 99,563 (62882)
\$734,763 (62884)

These contracts provided Supportive Housing Program (SHP) funds to Doorways (Agency) to promote the delivery of supportive housing, emergency shelter, and supportive services to assist homeless or at risk persons in the transition from homelessness to interdependency and permanent housing.

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 October 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 31, 2012.

Exit Conference

The Agency was offered the opportunity for an exit conference; however, it was declined.

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-HOM26, issued December 20, 2011 noted one observation.

- Opportunity to ensure reimbursement requests do not exceed the contract budget (Questioned costs \$3,951.60) **(Resolved)**

A-133 Status

The Agency expended \$500,000 or more in federal funds for the fiscal year ending June 30, 2011, therefore, it was required to have a single audit in accordance with OMB Circular A-133.

The report was dated October 3, 2011 and rendered an unqualified opinion on both the general purpose financial statements and the federal awards. There were no material weaknesses or significant deficiencies identified in the audit of the financial statements and on the federal awards. There were no findings required to be reported in accordance with Section 510(a) of OMB Circular A-133. The Agency did qualify as a low risk auditee.

IAS reviewed the report and recommended that the report be accepted.

Summary of Current Observations

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

- Opportunity to request reimbursement for only allowable expenditures (Questioned Costs, \$2,825.56)

DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

Opportunity To Request Reimbursement For Only Allowable Expenditures, Questioned Costs \$2,825.56

A review of expenditures for the months December 2011 and March 2012 was performed to ensure that costs reimbursed were allowable under the terms of contract #62866. It was observed that one position (Residential Program Manager) was incorrectly reimbursed for both Operations and Supportive Services. This resulted in a questioned cost totaling \$2,688.88 (Salary + FICA).

In addition, a review of expenditures for the months of January and March 2012 for contract #62882 was also performed. It was observed that two payroll tax amounts of \$67.93 and \$68.75, for January and March respectively, were duplicated in the reimbursement request. This resulted in a questioned cost of \$136.68.

Section 2 of the grant agreement states that the City agrees to reimburse the Contractor in accordance with the budget. In addition, any amendments to this budget must be approved by the Manger of Homeless Services Division. Per the grant budget, expenditures were restricted to only the Director of Operations and Social Service Coordinator positions.

It appears the Agency did not have controls in place to ensure that expenditures requested for reimbursement were allowable under the contract terms.

This can result in the Agency having to repay the funds not spent in accordance with the terms of the contract agreement or the suspension/termination of the federal award.

Recommendation

It is recommended that the Agency implement control procedures, such as a supervisory review, to ensure that all expenditures are accurate and allowable in accordance with the contact. It is also recommended that the Agency repay the questioned salary and FICA tax costs of \$2,825.56.

Management's Response

We agree with the finding in part. The duplicated payroll taxes on contract #62882 were indeed in error and we will gladly repay the \$136.68 at the City's instruction.

However, we disagree with the remaining questioned costs for the "Residential Program Manager" on contract #62866 and are confident these expenses were eligible, allowable

Continued...

and in accordance with our contract. First, we would like to note that the questioned costs only amount to \$739.02, the amount charged to supportive services for December 2011. The operating costs should not be in question and the position was not charged to both lines in March 2012.

These expenses were billed in accordance with guidance provided to us by our program officers at the City. Due to the staff turnover and other organizational issues, funded activities may be performed by staff whose titles do not match the contract. With that understanding, we have received guidance from City staff that we may bill staff according to funded activities. Generally, for the sake of clarity, we will use the funded title (e.g., "Social Service Coordinator") with an Acting modifier (i.e., "Acting Social Service Coordinator"). In this case, we did not use that title as we believed it would lead to confusion having a staff member with two different titles within the same invoice. The Residential Program Manager was performing social service activities during the transition to our new social service coordinator and was billed in full compliance with our contract.

Finally, we would like to note that our agency has solid controls in place which include review of all invoices. The one error noted above was immaterial amounting to less 0.6% of the line and less than 0.14% of the contact. Errors of such are not evidence of control weaknesses.

Auditor's Comment

The contract specifies funds for individual positions for the budgeted funds. If changes are agreed upon they should be documented, to ensure transparency and agreement of any changes. In addition the budgeted staff funds, in the operating cost on contract #62866, reference a Director of Operations. A review of the personnel activity reports showed the individual's title was Residential Program Manager, and another employee referenced on the activity reports had the title of Director of Finance and Operations. To ensure clarity and transparency the Agency should ensure all employees titles are documented correctly and in accordance with contract requirements.