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CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA
Internal Audit Executive

January 9, 2012

Bonnie Reese, Executive Director
St. Louis Transitional Hope House
1611 Hodiament
St. Louis, MO 63112

RE: Supportive Housing Program (SHP) and Federal Emergency Shelter Grant (FESG)
(Project #2011-HOM27)

Dear Ms. Reese:

Enclosed is a report of the fiscal monitoring review of St. Louis Transitional Hope House, a not-for-profit organization, SHP and FESG programs, for the period January 1, 2010 through May 31, 2011. 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 St. Louis Transitional Hope House. Fieldwork was completed on July 5, 2011.

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.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

Cc: Parimal Mehta, Fiscal Manager, DHS
Antoinette Triplett, Manager II - Homeless Services, DHS



CITY OF ST. LOUIS

**DEPARTMENT OF HUMAN SERVICES (DHS)
SUPPORTIVE HOUSING PROGRAM (SHP)
FEDERAL EMERGENCY SHELTER GRANT (FESG)**

**ST. LOUIS TRANSITIONAL HOPE HOUSE
CONTRACTS #61931 & 62022
CFDA #14.235 AND #14.231**

FISCAL MONITORING REVIEW

JANUARY 1, 2010 THROUGH MAY 31, 2011

PROJECT #2011-HOM27

DATE ISSUED: JANUARY 9, 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)
FEDERAL EMERGENCY SHELTER GRANT (FESG)
ST. LOUIS TRANSITIONAL HOPE HOUSE
FISCAL MONITORING REVIEW
JANUARY 1, 2010 THROUGH MAY 31, 2011**

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INTRODUCTION

Background

Contract Name: St. Louis Transitional Hope House

Contract Numbers: 61931 (SHP)
62022(FESG)

CFDA Numbers: 14.235 (SHP)
14.231 (FESG)

Contract Periods: 10/1/10 – 9/30/11 (SHP)
1/1/10-12/30/10 (FESG)

Contract Amounts: \$784,415 (61931 SHP)
\$ 39,000 (62022 FESG)

These contracts provided Supportive Housing Program (SHP) and Federal Emergency Shelter Grant (FESG) funds from the Department of Human Services (DHS) to St. Louis Transitional Hope House (Agency) to promote the delivery of supportive housing, supportive services and to assist homeless persons in the transition from homelessness to independency and permanent housing. These services were provided for eligible persons, and persons at risk of becoming homeless, in the City of St. Louis and individuals and families who reside in a location, which is more than 100 miles from the City of St. Louis, or whose last known permanent address was more than 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 DHS requirements for the period January 1, 2010, through May 31, 2011, 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.

Exit Conference

The Agency was offered an exit conference on November 3, 2011, but the Agency declined.

Management's Responses

The management's response to the observation and recommendation identified in the draft report was received from the Agency on November 14, 2011. The response has 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 #2010-HOM12, issued January 5, 2011 contained one observation.

- Going concern issues exist (**Repeated**)

A-133 Status

The Agency expended \$500,000 or more in federal funds for its fiscal year ended June 30, 2010; therefore, it was required to have a single audit in accordance with OMB Circular A-133.

The report was dated November 24, 2010 and rendered an unqualified opinion on the financial statements and compliance for major federal programs. There were no material weaknesses, significant deficiencies or noncompliance material to the financial statements noted.

There were no audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133.

The auditee qualified 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.

- Going concern issues exist (Repeated)

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Going Concern Issues Exist (Repeated)

The Agency appears to have insufficient working capital (excess of current assets over current liabilities) to meet its obligations as they become due and thus remain in business for the foreseeable future as a going concern.

As of February 28, 2009, the Agency's current liabilities exceeded current assets (negative working capital) by \$9,577. At the end of FESG program as of December 31, 2010, the Agency had negative working capitals of \$92,997, and at the end of our review period May 31, 2011, the Agency had a negative working capital of \$122,845.

A positive working capital is indicative of an organization's ability to meet its obligations as they become due and remain in business for the foreseeable future.

A lack of available resources of funding has caused the Agency to fail to maintain a positive working capital.

The continued existence of a negative working capital balance may raise concerns about the Agency's ability to continue to meet the obligations under the grant contract agreement.

Recommendation

It is recommended that the Agency establish a plan to properly address the deficit and more closely monitor expenditures. It is also recommended that the Agency work with DHS to maintain a positive working capital to ensure financial stability.

Management's Response

(1) The Child Development Center's operating schedule has been reduced to match our clients' need for childcare. In April 2011, full-time staffing positions were reduced accordingly, resulting in a decrease in payroll expenses. (2) On September 6, 2011, the agency's Head Start slots were increased to 21 slots, resulting in increased revenue. (3) The agency has increased its applications for grant funding for operating purposes, receiving \$6,500 since June 2011 to defray the costs of utilities. The agency currently has \$194,050 in new operating grant applications pending, and additional opportunities for operations funding have been identified and will be pursued. (4) In June 2011, \$90,000 in short-term debt was restructured to long term debt. (5) The agency has set the 10th of the month as the deadline for submission of its monthly reimbursement requests for eligible expenditures under grants administered by the City of St. Louis.