OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS

Internal Audit Section

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FILE COPY

September 27, 2012

Ryan Carney, Chief Operating Officer
Society of St. Vincent De Paul
100 N. Jefferson
St. Louis, MO 63103

RE: Supportive Housing Program (SHP) (Project #2012-HOM25)

Dear Mr. Carney:

Enclosed is the report of the fiscal monitoring review of Society of St. Vincent DePaul, a not-for-profit organization, SHP program, for the period May 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 Society of St. Vincent De Paul. Fieldwork was completed on September 21, 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,

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)
SUPPORTIVE HOUSING PROGRAM (SHP)

SOCIETY OF ST. VINCENT DE PAUL
CONTRACT #62917
CFDA #14.235

FISCAL MONITORING REVIEW

MAY 1, 2011 THROUGH APRIL 30, 2012

PROJECT #2012-HOM25

DATE ISSUED: SEPTEMBER 27, 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)
SOCIETY OF ST. VINCENT DE PAUL
FISCAL MONITORING REVIEW
MAY 1, 2011 THROUGH APRIL 30, 2012

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INTRODUCTION

Background

Contract Name: Society of St. Vincent De Paul

Contract Number: 62917

CFDA Number: 14.235

Contract Period: May 1, 2011 through April 30, 2012

Contract Amount: $258,121

The contract provided Supportive Housing Program (SHP) funds from the Department of Human Services (DHS) to Society of St. Vincent De Paul (Agency) to promote the delivery of supportive housing and supportive services. The purpose of these funds is to assist homeless persons in the City of St. Louis in the transition from homelessness to independency and permanent housing.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local DHS requirements for the period May 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 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 September 21, 2012.

Exit Conference

An exit conference was conducted at the Agency on September 12, 2012. The Agency was represented by the Chief Operating Officer, the Project Coordinator, the Compliance Officer and the Grant Writer.

The Internal Audit Section (IAS) was represented by the Internal Audit Executive and the Auditor-In-Charge.

Management's Response

Management's response to the observation and recommendation noted in the report was received on September 20, 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. Please see summary of current observation below.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2011-HOM16, issued June 28, 2011 contained two observations.

1. Opportunity to provide timesheets for grant funded employees (Questionable Costs $60,997.23) **(Resolved)**

2. Opportunity to use two authorized signatures on checks **(Resolved)**

A-133 Status

The Agency expended $500,000 or more in federal funds for its calendar year ended December 31, 2011; therefore, it was required to have a single audit in accordance with OMB Circular A-133.

The report was dated May 2, 2012. Unqualified opinions were rendered on both the general purpose financial statements as well as the report issued on compliance for major programs. No material weaknesses were disclosed. The Agency is not considered a low risk auditee.

Summary of Current Observation

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

- Opportunity to address going concern issue

DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

Opportunity To Address Going Concern Issue

The Agency may have a potential going concern issue and may not be able to continue to provide services to its clients.

Excess of Expenditures over Revenues – Years 2008 through 2011
According to the Agency's Statement of Activities and Changes in Net Assets, the Agency's expenses exceeded its revenue for four consecutive years.

Description	Calendar Year 2011	Calendar Year 2010	Calendar Year 2009	Calendar Year 2008
Total Revenue	$4,984,328	$5,888,793	$3,990,328	$2,594,969
Total Expenses	$6,387,464	$6,251,419	$4,921,435	$4,090,731
Excess of Expenses Over Income	($1,403,136)	($362,626)	($931,107)	($1,495,762)

Good management practices require that an entity will function as a going concern, based on the assumption that the organization will continue operations for the foreseeable future. In addition, going concern measures the entity's ability to generate sufficient resources to stay operational.

An email received from the Agency on September 20, 2012 stated that the cause was because of "multiple transitions in executive management positions along with an ongoing trend of expenditures exceeding revenues."

Based on the facts stated above, it appears that the Agency may not be able to continue operations for the foreseeable future in the normal course of the business.

Recommendation

It is recommended that the Agency:

1) Take concerted efforts to address its financial instability
2) Inform DHS of the steps taken to continue as a going concern in the foreseeable future.

Management's Response

In regards to the concern of our excess of expenditures over revenues from 2008 to 2011, when the economy fell into a recession in 2008 the demand for our services significantly increased. To help meet the needs of the community, we expanded existing core services, and added five new housing and homelessness prevention programs, two transportation programs, and a prescription drug program. While we were successful in finding grant

funds to cover most of the direct program costs, we were not successful in raising funds to cover the increased management and administration costs.

Our board of directors made a deliberate choice to cover the operating deficit by drawing on reserve funds, while at the same time instructing staff leadership to find new and creative ways to increase private donations. The fundraising efforts had insufficient results, but the programs continued to produce good outcomes. The reserve funds allowed us to continue our programs, but leadership recognized that this was not a sustainable strategy. A plan is now in place to completely eliminate the deficit by 2014. We have been in discussions with the City of St. Louis Department of Human Services about finding a sustainable way to continue the services of our two housing programs, PLUS and MORE.