



U.S. Department of Housing and Urban Development

District Office of the Inspector General  
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November 4, 1996

Audit-Related Memorandum  
No. 97-AT-248-1802

MEMORANDUM FOR: John Perry, Director, Community Planning and  
Development, 4AD

FROM: James D. McKay  
Acting District Inspector General for Audit,  
Southeast/Caribbean, 4AGA

SUBJECT: Accounting System Evaluation  
Metro Atlanta Task Force for the Homeless  
Supportive Housing Program  
Grant No. GA06B95-1035  
Atlanta, Georgia

#### INTRODUCTION

From February 14, 1996, through March 22, 1996, we performed a limited review of the financial management system of the Metro Atlanta Task Force for the Homeless (Task Force) as it relates to the HUD-funded Supportive Housing Program Grant No. GA06B95-1035. HUD awarded the \$12,451,233 grant to the Task Force on November 30, 1995. Under this grant, the Task Force will serve as both a grantor to 15 subrecipients and as a grantee providing direct supportive housing assistance. As a grantee, the Task Force will receive \$654,150 to provide job and housing counseling, family stabilization training, and resettlement assistance. The Task Force will also receive \$561,766 to cover costs to administer the subrecipient agreements.

#### SCOPE OF REVIEW

The purpose of our review was to provide you with reasonable assurance that this recipient of HUD's Supportive Housing funds has systems and controls in place to account for the receipt and disbursement of grant funds, and to accumulate and document statistical data to demonstrate program accomplishments and prepare required reports. As you know, our review was not an audit made in accordance with generally accepted government audit standards.

We interviewed the Executive Director and members of the financial management and program staff to obtain documentation to ascertain whether: (1) an accounting system existed to capture and properly classify project expenses, (2) the organization's staff appeared knowledgeable of its responsibilities as a grant recipient of Federal funds and to its subrecipients, (3) the organization is legally established, and appeared viable, and (4) the organization otherwise appeared reasonably prepared to carry out the objectives of its Supportive Housing Program. We looked for areas which indicated a need for technical assistance and guidance by your office.

#### OBSERVATIONS

We concluded that the Task Force has established organizational, financial management, and program performance systems necessary to satisfactorily accomplish its HUD sponsored Supportive Housing Program. The organization has had prior experience in administering Federal grants and has an extended history of helping homeless families. We offer the following comments for your further discussion with and assistance to the Task Force.

- The Task Force did not have, as part of its financial management system, a means of allocating costs as required by OMB Circular A-110. Proper accounting for the Supportive Housing Activities requires that the Task Force have a method to identify direct and indirect costs and to properly allocate those costs among the various programs and activities in which it operates. Costs claimed against Federal grants in prior periods may be affected and may need to be adjusted because of the lack of an allocation base and method.
- On June 13, 1996, the Task Force submitted a budget estimating what it will cost to provide administrative support to the 15 subrecipients. The budget, which totals \$206,224, is only for 1 year of the 3 year grant period and leaves \$355,541 unbudgeted. The budget includes staff costs of \$151,124, equipment costs of \$11,200, operations costs of \$3,900 and audit costs of \$40,000.

The justification for the staff line item shows that the project director will spend 50 percent of his time directing the Supportive Housing Program and 50 percent of his time directing the HUD Innovative Program for the first 6 months. After the first 6 months, the director will spend 100 percent of his time on the Supportive Housing Program. Since both of these programs are on-going, it is not clear who will direct the HUD Innovative Program. The justification also includes 75 percent of the salary of a consultant/grant monitor. This person is to monitor programs and contracts, and develop

additional resources for the subrecipients. Developing additional resources for the subrecipients would not appear to be a Task Force function.

The budget includes a \$40,000 line item for audits. The Task Force states it will use its own auditor to perform audits of subrecipients who are not currently receiving an audit according to OMB Circular A-133. The budget justification does not state if this is to be a staff auditor or an individual practitioner the Task Force hires to perform audit work for them. The justification does not state how many audits will be performed.

Because of the amount of funds involved, we believe you should require the Task Force to provide a budget for the 3 years. You should review this budget to assure all programs pay their own way and that the positions listed are needed to administer the program. Any funds not needed for administration should be returned to the subrecipients so they may provide additional direct service to the homeless population.

- The Task Force had not obtained audits of fiscal years 1994 and 1995 activities, despite having received almost \$2 million in Federal assistance. An audit covering the 2 year period was scheduled to begin in May 1996. Currently, the Task Force 1994 audit is in its final stages and the 1995 audit has begun. You should monitor the progress toward completion of both audits.
- Checks are required to be countersigned by the Executive Director and Co-Executive Director. However, because these two individuals are husband and wife, the dual signature control is ineffective. We suggest that you require the second signature to be from an unrelated Board member.

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This memorandum is for your information; no response is necessary. If you have any questions or need additional information, please contact Nancy H. Cooper, Assistant District Inspector General for Audit at 404-331-3369.

DISTRIBUTION

Director, Community Planning and Development Division, 4AD  
Director, Interagency Council on the Homeless, DE  
Director, Metro Atlanta Task Force for the Homeless