



U.S. Department of Housing and Urban Development

District Office of the Inspector General
Office of Audit
Richard B. Russell Federal Building
75 Spring Street, SW, Room 700
Atlanta, GA 30303-3388
(404) 331-3369

May 29, 1997

Audit-Related Memorandum
No. 97-AT-248-1810

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

FROM: Nancy H. Cooper
District Inspector General for Audit-Southeast/Caribbean, 4AGA

SUBJECT: Accounting System Evaluation
Our Common Welfare, Inc.
Supportive Housing Program
Grant No. GA06B96-1405
Decatur, Georgia

INTRODUCTION

As requested, we performed a limited review of the financial management system of Our Common Welfare, Inc., (OCW) related to a HUD grant for Supportive Housing Program services. We conducted the review on April 4-11, 1997. On February 20, 1997 HUD awarded OCW a \$469,746 Supportive Housing grant (No. GA06B96-1405). The grant provides funds for transitional housing and related support and administrative services for eight additional homeless substance abusers with HIV/AIDS. At the time of our review, OCW's operations were controlled by a seven member Board of Directors, and its staff consisted of a full time salaried Executive Director and nine support staff. OCW plans to hire four additional workers to administer the grant.

SCOPE OF REVIEW

We conducted the review to determine if OCW has implemented adequate financial and management systems to administer the Supportive Housing grant. The review was not an audit made in accordance with generally accepted government auditing standards.

We interviewed the Executive Director and performed a limited review of OCW's records to determine whether OCW had: (1) established and implemented a financial accounting system to properly classify and record project revenues and expenditures, (2) adequate systems to accumulate and document program performance data for required reports, (3) staff that appeared knowledgeable of the organization's responsibilities under the grant, (4) met legal organizational

requirements as a corporate entity, and (5) demonstrated capacity to carry out the objectives of its Supportive Housing Program. We also considered whether OCW appeared to be a viable organization.

During the review, we considered areas which your office may wish to evaluate for technical assistance and/or guidance. We noted two areas in the following section which you may wish to consider.

OBSERVATIONS

Generally, OCW had established financial and management systems which appeared adequate to accomplish its Supportive Housing Program. The organization had an existing transitional housing program funded by other non-HUD grants. Also, OCW has received prior Federal funding and is experienced in meeting related Federal compliance requirements. OCW had obtained professional accounting and auditing services, and it had a functioning Board of Directors. The board appeared to be involved with its operations. OCW has demonstrated success in helping homeless individuals with HIV/AIDS.

We made the following observations which you may wish to consider:

- a. OCW did not have a proper segregation of duties related to certain financial transactions. The Executive Director approved and posted financial transactions, signed checks, and verified and approved payroll. OMB Circular A-110, Part 84. 21(3), states that recipients shall adequately safeguard assets and assure that they are used solely for authorized purposes.
- b. OCW did not require workers who worked on multiple programs to prepare time and attendance records to support the salary amounts charged to the various programs. The time records we examined did not show employee time by program activity. The records accounted for the employee's daily and total hours during the pay period with no reference to the programs they worked on. As a result, OCW's time and attendance records did not show and support the recorded salary distributions as required by OMB Circular A-122, Attachment B, Paragraph (l)(2)(a). The time distributions appeared to be based on pre-determined distribution rates as opposed to after-the-fact determinations.
- c. OCW had not established and implemented a system to charge indirect costs pursuant to OMB Circular A-122, Attachment A, Paragraph D. However, they had established an accounting system that was capable of identifying indirect costs. We observed that OCW's latest independent audit included total program expenditures of \$403,886 of which \$101,957 (or 25 percent) was for management and support cost. The report showed no evidence that OCW charged programs for indirect costs for management and support.

This memorandum is for your information and does not require a response. If you have any questions or need additional information, please contact James D. McKay, Assistant District Inspector General for Audit, at 331-3369.

Secretary's Representative, 4AS
Audit Liaison Officer, 3AFI
Director, Field Accounting Division, 4AFF
Director, Administrative Service Center, 4AA
Director, Community Planning and Development Division, 4AD
Office of Community Planning and Development, DG
ATTN: Audit Liaison Officer
Chief Financial Officer, F (Room 10164) 2
Deputy Chief Financial Officer for Finances, FF (Room 10166)
2
Director, Housing and Community Development, Issue Area, U.S. GAO,
441 G Street, NW, Room 2474 Washington, DC 20548
ATTN: Judy England-Joseph
Assistant to the Deputy Secretary for Field Management, SDF, (Room 7106)
The Honorable John Glenn, Ranking Member, Committee on Governmental Affairs,
United States Senate, Washington, DC 20510-6250
The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs,
United States Senate, Washington, DC 20510-6250
Mr. Pete Sessions, Government Reform and Oversight Committee, Congress of the
United States, House of Representatives, Washington, DC 20515-4305
Our Common Welfare, Inc.