



U.S. Department of Housing and Urban Development

District Office of the Inspector General
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May 20, 1996

Audit-Related Memorandum
96-AT-248-1818

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

FROM: Nancy Cooper
Acting District Inspector General for Audit, Southeast/Caribbean, 4AGA

SUBJECT: Accounting System Evaluation
Metro Atlanta Furniture Bank
Atlanta, Georgia

INTRODUCTION

From April 2 - 15, 1996 we performed a limited review of the financial management system of the Metro Atlanta Furniture Bank as it relates to its Supportive Housing Program. The Furniture Bank is designated as a program participant under grant no. GA06G15-1035 awarded on November 2, 1995, by HUD to the Metro Atlanta Task Force for the Homeless. A subrecipient agreement was executed between the Furniture Bank and the Metro Atlanta Task Force on January 12, 1996. The total grant award from HUD is \$367,500 of which \$350,000 has been awarded to the Furniture Bank as a subrecipient. The Furniture Bank intends to use its funds to provide furniture for 1,400 additional homeless families, hire more program staff, and buy a delivery truck. At the time of our review, the Furniture Bank board consisted of 13 members, a full time salaried Executive Director, and support staff.

SCOPE OF REVIEW

The purpose of our review was to provide you with reasonable assurance that this subrecipient of 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. As you know, our review was not an audit made in accordance with generally accepted government audit standards.

We interviewed the Executive Director and obtained documentation to determine whether: (1) a reasonable financial accounting system existed to capture and properly classify project expenditures, (2) the organization's staff appeared knowledgeable of its responsibilities as a recipient of Federal funds and under its contract with the Task Force for the Homeless, (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 or the Task Force.

OBSERVATIONS

The Furniture Bank has established organizational systems necessary to deliver services under its Supportive Housing Program. The organization is administering supportive housing services through other grant funding, has obtained professional auditing services, has a functioning Board of Directors, and has demonstrated success in helping homeless families or individuals of low and very low income levels. However, the Furniture Bank needs assistance with financial management and performance data systems. During our review we made the following observations:

- a. The Furniture Bank staff lacked the basic accounting knowledge needed to maintain proper accounting records. During our cursory review of the accounting records we noted the monthly balance sheets did not balance and a misclassified entry related to the Executive Director's loan. Also, the Executive Director stated he knew nothing about accrual accounting. We suggest the Furniture Bank obtain accounting assistance from the Task Force or a professional accounting firm.
- b. The Furniture Bank did not have a performance tracking system that captured data on the number of homeless individuals served. Instead, the system tracked the number of furniture deliveries. Without the data on individuals served, we question how the Furniture Bank can show they are complying with the grant agreement to serve an additional 1,400 homeless people. The Task Force agreed to assist the Furniture Bank with their performance tracking system.
- c. The Furniture Bank experienced recent financial problems. In November 1995, the Executive Director loaned money to the organization by obtaining \$3,800 in cash advances through his personal credit card. The Furniture Bank reimbursed him 2 months later. The Executive Director informed us that he recently purchased computer equipment on his credit card and expected to be reimbursed from HUD's grant. It appears the Executive Director may have used his credit card to keep the organization afloat.
- d. The Furniture Bank incurred a tax liability for payroll and sales taxes. By May 2, 1996, the Furniture Bank had reduced its liability by \$8,000 but still owed \$19,217. They entered into a 3 month payment plan with the IRS and expected the debt to be paid by August 1996. The annual audit report dated September 30, 1995, disclosed the payroll tax returns and sales tax returns were incorrectly prepared. Because the tax liability includes taxes, penalties, and interest owed prior to the grant award, the Furniture Bank should be reminded that the liability can not be paid with HUD grant funds.

- e. The Furniture Bank did not have a proper segregation of duties because: (1) the Operations Manager/Bookkeeper posted the records and signed checks, (2) the Executive Director signed checks and performed bank reconciliations, and (3) the Community Relations Coordinator opened mail containing checks and made deposits. The annual audit dated September 30, 1995, disclosed there was an inadequate separation of duties in the area of cash receipts, cash disbursements, and the posting of transactions. Our review confirmed this condition continued to exist.
- f. The Furniture Bank's procurement policy did not specify a dollar limit for when bids, quotes or negotiations should be used.

Your staff and/or the Task Force should consider closely monitoring this organization until these conditions improve or are resolved. 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 331-3369.

DISTRIBUTION

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