



City of Greensboro

Date: November 24, 2009
To: Rashad Young, City Manager
From: Internal Audit Division
Subject: Jericho House, Incorporated

The Internal Audit Division has completed our annual review of Jericho House, Incorporated along with a Programmatic Review by the Housing & Community Development Department for the 2007-2008 year. Attached you will find our review report; the agency response; the departmental response and our replies to their responses. We feel that sufficient corrective actions have been implemented to our recommendations as we move forward. If you have any questions or need additional information, please let us know. Thanks.

A handwritten signature in black ink, appearing to read "Len Lucas".

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Interim Assistant City Manager for Economic Development
Dan Curry, Interim Director of Housing & Community Development



City of Greensboro

Date: August 24, 2009
To: Dan Curry, Acting Director of Housing & Community Development
From: Internal Audit Division
Subject: Jericho House, Incorporated

The Internal Audit Division has performed our yearly monitoring visit of Jericho House, Incorporated a registered North Carolina Non-Profit Corporation which received a Shelter Operations grant in the amount of \$9,000 from the City of Greensboro during the 2007 to 2008 grant year.

The Transitional Shelter Operations Nussbaum Housing Partnership Allocation grant in the amount of \$9,000 helped to provide all the necessary services provided under this agreement in connection with operating a shelter for homeless persons. The Agency shall provide transitional shelter and support for ex-offenders through providing its clients a safe, stable living environment; assistance with finding employment; help with improving their communication skills and relationship skills; and help with financial budgeting and support/encouragement toward saving some of what they earn. Eligible operational costs to be reimbursed are as follows: staff salaries (including fringes); maintenance and security salaries; maintenance and operational cost; insurance and utilities at the Jericho House located at 2824 Liberty Road., Greensboro, NC. Approximately 16 beneficiaries were projected to be served by the Agency.

We examined selected financial transactions and program documentation maintained by the agency for compliance with the contract and for assurance that program goals were achieved. Based on our review, it appears that the funds have been spent according to the terms of the contract with the exception of the following finding:

FINDING:

Per the Agency's external auditor's Management report dated March 20, 2009, it states due to staffing, "The Organization is unable to record the entity's financial transactions or prepare financial statements and related disclosures in accordance with generally accepted accounting principles."

RECOMMENDATION:

The Agency should seek ways to be in compliance with the contract agreement paragraph 6. Financial Accounting sub-paragraph A, which states "The Contractor shall maintain financial records in accordance with generally accepted accounting principles and practices."

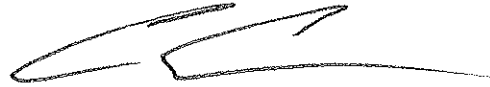
We talked with the CPA firm on April 30, 2009. We were advised that even though the overall audit opinion was unqualified, there is a new Financial Accounting Standards Board (FASB) pronouncement that deals with small entities and their staffing levels for internal controls.

We request a written signed response from the Agency and the Department of Housing & Community Development by September 17, 2009 to the City of Greensboro, Internal Audit Division, P.O. Box 3136, Greensboro, NC 27401.

We would like to thank Mr. Jack Alford, Treasurer and the staff of the Jericho House for their courtesy and cooperation shown to us during this visit. If there are any questions or comments concerning the details of this visit, we can be reached at 373-2821.



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Andy Scott, Interim Assistant City Manager for Economic Development
Jack Alford, Treasurer of Jericho House



Date: August 24, 2009
To: Jack Alford, Treasurer, & the Jericho House Board of Directors
From: Michael Blair, City of Greensboro HCD
RE: *FY08/09 Programmatic Evaluation*

On April 22, 2009 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of Jericho House. Jericho House is a sub-recipient of the City of Greensboro Department of Housing and Community Development and is carrying out the activity of shelter operations (transitional).

The period under review, along with current conditions, was from July 1, 2007 to June 30, 2008. In the course of the review HCD and IA staff met with Mr. Jack Alford, Treasurer, Jericho House.

Funding and Number Served

The agency was funded by the City \$9,000 in 2007-2008 (\$9,000 in 2006-2007; \$7,000 in 2005-2006) which was successfully completed June 30, 2008. The program has 6 beds and served 14 new participants (16 estimated).

CDBG Eligibility (file review) and Consolidated Plan Relationship

All program participant files contained adequate verification of homelessness and used both of the required HCD verification forms. The files themselves were in very good order. The program relationship to 2005-2009 Consolidated Plan is priority 2C-C and priority 2C-D.

Board and Board Minutes

The board met seven times in FY07/08 (Four (4) is the HCD minimum number of annual board meetings with a quorum) and had/has seven (7) members and one ex-officio member. Minutes are maintained and include financial and audit actions and discussions. This included the minutes where the annual audit was approved by the board.

Jericho House has fulfilled the HCD Board Training (2 members and 1 management staff) requirement for five consecutive years 2004 - 2009. HCD also recommends the Duke Non-Profit Management program for board members of all agencies.

Grievance Policy

The agency has an adequate grievance policy for its size and absence of paid staff.

CHIN

The agency does not use CHIN and does not plan on starting.

Conditions

A site inspection visit of the facility was conducted in FY07/08 and it was found to be well maintained. A site inspection visit should be conducted in FY09/10.

Jericho House Statistics:

Fiscal Year:	FY04/05	FY05/06	FY06/07	FY07/08
New Participants ^(HCD)	15	13	15	14
Total Individuals Served ^(HCD)	20	16	19	19
Average Monthly Occupancy ^(HCD)	73%	73%	55%	88%
Average Client Nights per Month ^(HCD)	134	134	101	160
Entering Income Levels ^(HCD) Under 50% of Median	100%	100%	100%	100%

As a result of this review HCD staff is making zero (0) findings, zero (0) concerns and one (1) observation, regarding the use of HCD funding. A *finding* is defined by HCD as a program element that does not comply with a local, federal, or contractual, rule or regulation whereas a *concern* is either a potential finding or program weakness that should be improved to avoid future problems. An *observation* can be either a positive comment about the agency or a suggestion that may improve a service or element of operations.

Observation 1 – Grievance File

The agency has an improved grievance policy but does not maintain a file that contains all grievances.

Requested Action

Only to establish a permanent agency-wide grievance file

HCD staff requests that Jericho House management review the Internal Audit report which included one finding regarding GAAP compliance and reply to it as applicable.

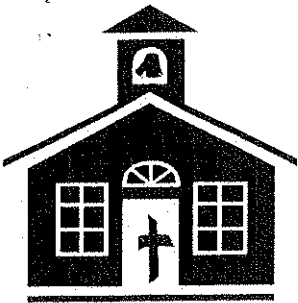
The observation in this review, in our view, does not reflect negatively on Jericho House board and their work ensuring the continued success of the referenced program. The intent of the observation is only intended to improve an area of file maintenance.

It is HCD staff opinion that the Jericho House is an eligible and effective use of city Homelessness Prevention funding. It serves the difficult needs of those citizens who have recently been released from the prison system and are at risk of homelessness and recidivism. There are no disqualifying financial concerns for future City funding.

HCD staff appreciates the assistance provided during the monitoring visit by Jericho House volunteers and clients.


Michael Blair
Specialist Grants Compliance


Dan Curry
Acting Director HCD



Jericho House

"an aftercare ministry for ex-offenders"

David Williams, Founder

2824 Liberty Road
Greensboro, NC 27406

Mailing Address: P.O. Box 425, Greensboro, NC 27402

"... I was a stranger, and ye took me in; ... I was in prison, and ye came unto me."

September 10, 2009

To: Len Lucas, Internal Audit Director
Internal Audit Division, City of Greensboro

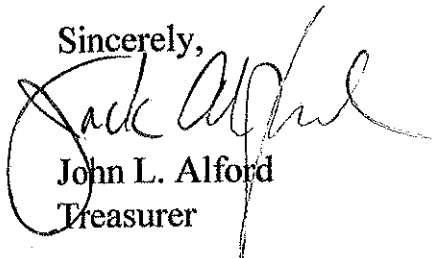
Subject: Jericho House and 2008 CPA Management Letter

In your letter of August 24, 2009 you requested that our agency provide you with a written response regarding the "material weakness" pointed out in our CPA's management letter regarding our 2008 financial audit. This document is the requested written response.

After receiving your letter we contacted our CPA firm (Apple, Koceja & Associates) and asked for their assistance. Their input and thoughts on this matter are outlined in a letter which is enclosed. Based on their input, and based on what our agency has observed over the last ten years, we believe that our agency (as well as our board) has adequate financial information and controls to properly run our operation. Specifically, our financial records are accurate and current, and we properly monitor and stay on top of our financial position and our cash flow. And, at the end of our fiscal year, we utilize our CPA firm to properly apply our depreciation and to create our footnote disclosures.

We hope this information adequately addresses your concerns.

Sincerely,



John L. Alford
Treasurer

cc: Dan Curry, Acting Director of Housing & Community Development

APPLE, KOCEJA & ASSOCIATES, PA

CERTIFIED PUBLIC ACCOUNTANTS

445 Dolley Madison Road Suite 202 Greensboro, NC 27410
Telephone: (336) 854-4277 Fax: (336) 854-4493

September 9, 2009

To Whom It May Concern:

This letter is in response to the following material weakness noted in a letter addressed to the Board of Directors of Jericho House, dated March 20, 2009:

“The Organization is unable to record the entity’s financial transactions or prepare financial statements and related disclosures in accordance with generally accepted accounting principles.”

Even though the above weakness has always existed, the issuance of Statements of Auditing Standards No. 112 promulgated the necessity to report this weakness in writing to the board of directors. This material weakness was identified because of the limited knowledge regarding generally accepted accounting principles (GAAP) within the organization (the treasurer/bookkeeper is not a certified public accountant). The intent was not to suggest that Jericho House cannot maintain their accounting records properly. Instead it was simply a statement that they are not fully knowledgeable in GAAP requirements for proper classifications in financial statements as well as footnote disclosures. This scenario is prevalent in many small non-profit organizations due to limited budgets and not having professional accounting personnel either on staff or through volunteers.

Although Jericho House does not regularly prepare financial statements in accordance with GAAP, they do monitor revenue, expenses, and cash flow on a regular basis and appear to maintain complete records of all transactions. They also consult with a Certified Public Accountant whenever they encounter complex transactions. In addition, the organization contracts with a Certified Public Accounting firm to audit the annual financial statements and to provide an opinion on whether the financial statements, in all material respects, are presented fairly and in conformity with GAAP.

We would be happy to discuss this with you further if you wish. Please feel free to call Brett Koceja at 336-854-4277.

Sincerely,

Apple, Koceja & Associates, PA

Certified Public Accountants
Greensboro, North Carolina



City of Greensboro
North Carolina

September 15, 2009

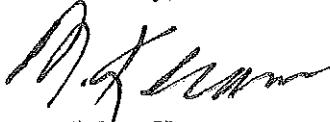
Mr. Jack Alford
Treasurer
Jericho House
2824 Liberty Road
Greensboro, NC 27406

Re: Jericho House Grant Year-2007 to 2008

Dear Mr. Alford:

We are in receipt of your letter dated September 10, 2009 reference the City's Internal Audit report of the 2007 to 2008 Year. We are also in receipt of Jericho House's CPA Apple, Koceja & Associates, PA letter dated September 9, 2009. The finding was that Jericho House's records were not being maintained in accordance with GAAP as per Jericho House's contract requirements with the City of Greensboro. Your letter and Jericho House's CPA confirm that Jericho House's financial records are converted to GAAP at Jericho House's year end. However, during the year Jericho House's financial records are not being maintained in accordance with GAAP as prescribed in the City's contract. We would suggest that Jericho House's monthly and interim financial reports be prepared in accordance with GAAP as well.

Sincerely,

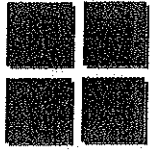


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Andy Scott, Interim Assistant City Manager for Economic Development
Dan Curry, Acting Director of the Department of Housing & Community
Development



HCD

Department of Housing & Community Development

MEMO

Date: November 10, 2009
To: Len Lucas, Internal Audit Director
From: Michael Blair, Analyst Grants Compliance
RE: HCD Reply to Jericho House Report

HCD concurs with the Internal Audit review.



Date: November 16, 2009
To: Dan Curry, Acting Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Jericho House Report 2007-2008

Thank you for your reply of November 10, 2009. Internal Audit concurs with the Department of Housing & Community Development's (H&CD) response to Internal Audit's subject report dated August 24, 2009.

A handwritten signature in black ink, appearing to read "Mickey Kerans".

Mickey Kerans
Internal Auditor

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Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
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