



City of Greensboro

Date: June 27, 2008
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Alcohol & Drug Services, Incorporated

The Internal Audit Division has completed our annual review of Alcohol & Drug Services, Incorporated for the 2006-2007 grant 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, Director of Housing & Community Development



City of Greensboro

Date: April 22, 2008
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Alcohol and Drug Services of Guilford, Inc.

The Internal Audit Division has performed our yearly monitoring visit of Alcohol and Drug Services of Guilford, Inc. (Agency) which received a Shelter Operations Grant in the amount of \$20,000 from the City of Greensboro during the 2006 to 2007 grant year.

The Emergency Shelter Operations Nussbaum Housing Partnership Allocation grant for \$20,000 was to be used to make available two beds per month over a 12 month period, for up to 14 days a stay per person, for fifty-six (56) bed days, for transitional housing and treatment for substance abusers. Approximately 26 clients would be served as the result of this grant, however, five clients were actually served since the Agency only requisitioned \$3,410 of the \$20,000 grant.

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, the Agency has complied with the contract terms with the exception of the following findings:

FINDING:

The Agency only requisitioned \$3,410 of the \$20,000 of the Shelter Operations grant. This has been a recurring issue each year.

RECOMMENDATION:

Whenever possible the Agency should requisition the full amount of the City Grant.

FINDING:

On the Agency's audited financials for fiscal year end June 30, 2007, we noted the following financial findings:

1. Gross revenues from 2006 to 2007 decreased (\$116,360). Net assets from 2006 to 2007 decreased (\$374,161) before depreciation. Working capital from 2006 to 2007 decreased (\$426,590). This is the second consecutive year of triple digit declines for these categories.
2. A material weakness in the Agency's internal control was mentioned by the external auditor.

RECOMMENDATION:

The Agency should advise the City how they plan to increase their financial position and their internal control issues.

We request a written signed response from Alcohol and Drug Services of Guilford, Inc. and the Department of Housing & Community Development by May 5, 2008.

We would like to thank Ms. Patty Brooks, Director of Finance, Ms. Jackie Butler, Director of Client Services and the staff of the Alcohol and Drug Services of Guilford, Inc. 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: Bob Morgan, Deputy City Manager
Ron Rau, Executive Director for Alcohol and Drug Services of Guilford, Inc.

Kerans, Mickey

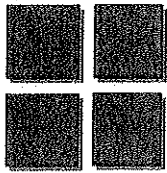
From: Blair, Michael
Sent: Monday, April 21, 2008 8:30 AM
To: Kerans, Mickey
Subject: RE: HCD Report due to IA

Mickey,

Remember there's not going to be an HCD programmatic review of ADS...

Thanks!


Michael



HCD

Department of Housing & Community Development

MEMO

 **Date:** May 27, 2008
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: HCD Review of Alcohol and Drug Services Audit Report

After review of the March 19th, 2008 Internal Audit report on Alcohol and Drug Services, for 2006-2007, HCD submits the following:

IA FINDING 1:

The Agency only requisitioned \$3,410 of the \$20,000 of the Shelter Operations grant. This has been a recurring issue each year.

IA RECOMMENDATION 1:

Whenever possible the Agency should requisition the full amount of the City Grant.

- **HCD Reply to Recommendation 1:** *Concur. It should be noted that ADS was not funded by the City in the current fiscal year which is 2007-2008.*

IA FINDING 2:

On the Agency's audited financials for fiscal year end June 30, 2007, we noted the following financial findings:

1. Gross revenues from 2006 to 2007 decreased (\$116,360). Net assets from 2006 to 2007 decreased (\$374,161) before depreciation. Working capital from 2006 to 2007 decreased (\$426,590). This is the second consecutive year of triple digit declines for these categories.
2. A material weakness in the Agency's internal control was mentioned by the external auditor.

IA RECOMMENDATION 2:

The Agency should advise the City how they plan to increase their financial position and their internal control issues.

- **HCD Reply to Recommendation 2:** *No comment.*

Summary: HCD is in general agreement with the points that Internal Audit makes in their review.



City of Greensboro

Date: May 29, 2008
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to ADS Grant 2006-2007

Thank you for your reply of May 27, 2008. Internal Audit agrees with Housing & Community Development's response to IA's subject draft report dated March 19, 2008.

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager

City of Greensboro
North Carolina

CERTIFIED MAIL-Return Receipt Requested

June 2, 2008

Mr. Ron Rau
Executive Director
Alcohol and Drug Services
119 Chesnut Street
High Point, NC 27262

Re: Alcohol and Drug Services Grant Year-2006 to 2007

Dear Mr. Rau:

This is a follow up to our letter to you dated April 22, 2008. See copy of letter enclosed. In our letter of April 22nd, we asked you to respond in writing to our findings for the 2006 to 2007 Grant Year by May 5, 2008. As of today, we have not received your reply. We need your written response as soon as possible in order to finalize this grant.

If you should have any questions, please phone me at 373-2821.

Sincerely,



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Director of Housing & Community Development



Alcohol and Drug Services
 119 Chestnut Drive
 High Point, NC 27262
 (336) 882-2125 • FAX (336) 882-8153

June 24, 2008

Mr. Mickey Kerans
 City of Greensboro
 P.O. Box 3136
 Greensboro, NC 27402-3136

Dear Mr. Kerans:

Thank you for your letter of June 2, 2008. As we discussed via the telephone, I regret that staff changes in our finance department resulted in our agency missing your May 2008 deadline. Please find our responses to your two April 22, 2008, recommendations below.

1. **RECOMMENDATION:** Whenever possible, the Agency should requisition the full amount of the City Grant.

RESPONSE: ADS will certainly consider the recommendation above should we apply for future grants. Since the grant is from a previous year, no action can be taken by ADS at this time.

2. **RECOMMENDATION:** The agency should advise the City how they plan to increase their financial position and their internal control issues.

RESPONSE: Again, ADS currently has no grant with the City of Greensboro but will ensure that the recommendation is heeded should we apply for future grants. Please note that the agency's financial performance during the fiscal year audited was in accordance with a board-approved budget. During that period, ADS reduced its net loss by 38% from the previous year and reduced its cash flow loss from operations by 92%. Currently, the agency is on track to reduce its loss by an additional \$200,000. Please note that that total for Fiscal Year 2007-08 includes almost \$100,000 of depreciation expense. Regarding the material weakness mentioned, ADS has hired a consultant to assist the agency with revamping its management information system. Also, ADS is working with the City of Greensboro to get permission to cool our server room properly in the Bardolph Building. Due to lack of cooling, the door has to be left open to prevent overheating and subsequent system failure.

Should you have any questions, please contact Ron Rau at (336) 882-2125, Ext. 225.

Sincerely,

Ronald C. Rau, Jr.
 President & CEO



City of Greensboro
North Carolina

June 25, 2008

Mr. Ron Rau
President
Alcohol and Drug Services
119 Chestnut Drive
High Point, NC 27262

RE: City of Greensboro Grant for 2006-2007

Dear Mr. Rau:

We thank you for your letter that you sent via facsimile on June 24, 2008. This was ADS's response in regard to the City's report dated April 22, 2008 for the GrantYear 2006-2007. We have reviewed your letter and we agree with your responses.

The City wishes ADS continued success and we appreciate the service your Agency provides our community.



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Director of the Department of Housing & Community Development