



# City of Greensboro

Date: June 27, 2008  
To: Mitchell Johnson, City Manager  
From: Internal Audit Division  
Subject: The Salvation Army

The Internal Audit Division has completed our annual review of The Salvation Army in conjunction with a Programmatic Review by the Housing & Community Development Department 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: May 27, 2008  
To: Andy Scott, Director of Housing & Community Development  
From: Internal Audit Division  
Subject: The Salvation Army

The Internal Audit Division has performed our yearly monitoring visit of the Salvation Army, which received an Emergency Assistance grant in the amount of \$31,500 and an Emergency Shelter Operations grant in the amount of \$85,750 from the City of Greensboro during the 2006 to 2007 grant year.

**The Emergency Assistance** Nussbaum Housing Partnership Allocation Grant for \$31,500 was used to help provide shelter and support services for homeless residents. The following costs are available for reimbursement: staff salaries; maintenance & security salary; maintenance and operations; insurance and utilities. The Agency will make available to residents 96 beds per month over 12 months for stays of 2 to 90 days.

**The Emergency Shelter Operations** Nussbaum Housing Partnership Allocation Grant in the amount of \$85,750 was to help provide shelter and support services for homeless residents. The following costs are available for reimbursement: staff salaries; maintenance & security salary; maintenance and operations; insurance and utilities. The Agency will make available to residents 96 beds per month over 12 months for stays of 2 to 90 days.

We examined selected financial transactions and program documentation maintained by the agency for compliance with the contracts 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 contracts except for the following findings:

**FINDING:**

Audited financial reports and the Management Letter for the fiscal year ended September 30, 2007 were due to the City by the Salvation Army on December 31, 2007 but were not received until April 8, 2008. The Management Letter for fiscal year ended September 30, 2007 and 2006 stated the Agency has a material weakness in internal control re: separation of duties. We interviewed the Agency's Controller and concurred with the external auditors.

**RECOMMENDATION:**

The Agency should deliver to the City the financial reports within 90 days of their fiscal year end. Also, the Agency should improve internal controls re: separation of duties.

We request a written signed response from the Salvation Army of Greensboro and the Department of Housing & Community Development by June 10, 2008 and mailed to the City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27402.

We would like to thank Mr. Randy Loggins, Controller; Ms. Jackie Lucas, Director of the Center of Hope for the Salvation Army and the staff of the Salvation Army 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  
Major Paul Egan, Corps Officer of the Salvation Army



**Date:** May 21, 2008  
**To:** Major Paul Egan, Salvation Army Greensboro  
**From:** Michael Blair, City of Greensboro HCD  
**RE:** *FY 07/08 Center of Hope & EA Programmatic Evaluation*

HCD and Internal Audit staff conducted an onsite visit at the Salvation Army offices on March 14, 2007. HCD staff appreciates the assistance provided by the Salvation Army which was well represented by Center of Hope Director Jackie Lucas and Asst. Director Katina Troutman.

Salvation Army of Greensboro operates the Center of Hope which is an emergency shelter for the homeless. This shelter has 96 beds and also serves a winter overflow shelter where occupancy exceeds 100% including the in-program residents for several of the winter months. The shelter also provides free childcare to clients. The Center of Hope was funded for \$85,750 in FY06/07 (Nussbaum) and \$80,750 (CDBG) for the FY05/06 grant year.

Emergency Assistance was funded for \$31,500 in FY06/07 (Nussbaum) and \$26,500 (Nussbaum) in FY05/06. These funds were used to pay deposits, rent and utility bills to prevent homelessness. \$26,500 in Emergency Financial Assistance was funded by the city in FY04/05.

The period under review, along with current site conditions, was from July 1, 2006 to June 30, 2007. In addition to examining various program materials and financial files, in the course of the review city staff met with Ms. Jackie Lucas, Director of the Center of Hope, Ms. Katina Troutman and Mr. Randy Loggins, Controller for the Salvation Army-Greensboro.

The Salvation Army-Greensboro has fulfilled the HCD Board Training (3 members and 1 management staff) requirement for the years 2004, 2005, 2006 and 2007. HCD also recommends the Duke Non-Profit Management program for board members of all agencies.

The purpose of the monitoring visit is to determine whether the sub-recipient has implemented and administered HCD-funded activities according to applicable program and contractual requirements. In this monitoring review attention was paid to contract compliance along with financial management systems, requisition practices, site conditions and performance measures.

The advisory board met ten times (6 with quorum) in FY06/07 which is a good level of activity. The advisory board has 34 members, 9 women and 25 men, from a wide range of professional backgrounds. Minutes are maintained and are very understandable.

The advisory board is not identical to a typical 501c3 Board of Directors as the local Salvation Army entity is in a hierarchal relationship under the regional head quarters in Atlanta. It does however act similar in regards to meetings, evaluation of activities, finances and guidance.

The agency has a multi-level (meaning that if a complaint is not resolved it goes to the next level for resolution) grievance policy.

The agency uses HMIS and has no serious complaints with its use and commented that the system was becoming more "user friendly".

As a result of this review HCD staff is making zero (0) findings, one (1) concern 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.

Concern – Annual Audit

The FYE September 30<sup>th</sup>, 2007 external audit was received on April 8<sup>th</sup>, 2008 (98 days past FYE).

Requested Action

To have the audit delivered either in final form or draft form to the city within 90 days of FYE (December 31).

Observation – Reported Numbers Served

FY06/07 reported average length of stay for the emergency shelter and the transitional shelter is significantly different than prior years.

Requested Action

A written explanation of the reported “average length of stay” for the emergency shelter which does not typically exceed that of a transitional shelter; the numbers appear inverted. **See below.**

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<b>Center of Hope Measures:</b>	<b>FY04/05</b>	<b>FY05/06</b>	<b>FY06/07</b>
Total Served (Including Winter Overflow):	1,426	1,511	1,404
New Participants (COH):	590	654	612
Client Nights:	21,403	22,792	24,559
Average Occupancy (COH):	60%	65%	62%
Ave. Length of Stay Shelter (days):	-	40	<b>232</b>
Ave. Length of Stay Trans/Shelter (days):	-	104	<b>60</b>

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<b>Emergency Assistance Measures:</b>	<b>FY04/05</b>	<b>FY05/06</b>	<b>FY06/07</b>
Total Vouchers:	256	174	?
Total Family Members Served by HCD funding:	517	395	718

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Emergency Assistance funds were used to pay deposits, past due rent and utility bills to prevent homelessness.

## Results of Facility Site Visit

*External:* The exterior of the shelter is very well maintained (no trash or clutter). The facility appeared to be clean and safe. Public transportation is very close (<1 mile).

*Internal:* Clients have access to computers. Television and various reading materials are provided. There is a phone available to clients. Clients have lockers available for personal possessions.

*Sleeping areas:* The beds are in shared rooms. The rooms were very clean and linens have well scheduled regular cleaning. There is a bed map.

*Bathrooms:* Overall the bathrooms inspected were clean and well maintained. There are showers, w/curtains, available for clients.

*Medication:* Stored when needed.

*Kitchen/Food:* The facility provides three meals, and two snacks, a day for clients. Staff and volunteers prepare, and serve, food on-site in a large well appointed kitchen.

*Services:* Case management is provided along with referrals for other related services such as vocational; GED training; substance abuse counseling provided by Malachi House; a nurse available every Wednesday; and will be setting up Healthserve system with cards.

*Safety:* There were several fire extinguishers. There are smoke detectors and a sprinkler system. The written fire safety plan and emergency evacuation plan are posted and mapped. There is a first aid kit which did not include a CPR mask.

*Postings:* The facility has very good posting for services provided, emergency plans, and facility rules and regulations. Staff only suggests the possibility of postings that address airborne problems i.e. "cover your mouth when you cough".

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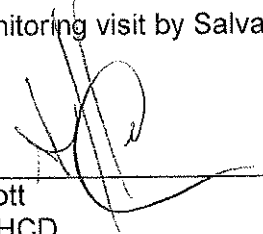
The draft Internal Audit report is dated April 15, 2008 and it included one finding. The audit was delivered late and there was an internal control "separation of duties" comment. Please reply as requested.

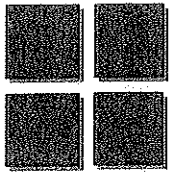
The concern and observations in this review, in our view, do not reflect negatively on Salvation Army staff and their work ensuring the continued success of the referenced program. The intent of the concern is to ensure timely delivery of its external audit to the City of Greensboro. The observation is intended to discover why "length of stay" times have been reversed by CHIN.

It is HCD staff opinion that Salvation Army - Center of Hope is an eligible and effective use of city Homelessness Prevention funding. It provides a much needed service to homeless men, women and families. Performance records could be made more understandable and there are no disqualifying financial concerns for future City funding. The program relationship to 2005-2009 Consolidated Plan is Priority 2C.

HCD staff appreciates the assistance provided during the monitoring visit by Salvation Army staff.

  
Michael Blair  
Specialist Grants Compliance


  
Andy Scott  
Director HCD



# HCD

Department of Housing & Community Development

## MEMO

**Date:** June 21, 2008  
**To:**  Len Lucas, Internal Audit Director  
**From:** Michael Blair, Specialist Grants Compliance  
**RE:** FY06/07 HCD Review of Salvation Army Audit Report

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After review of the May 27, 2008 draft Internal Audit report on the Salvation Army Center of Hope and Emergency Assistance, for 2006-2007, HCD submits the following:

### IA FINDING:

Audited financial reports and the Management Letter for the fiscal year ended September 30, 2007 were due to the City by the Salvation Army on December 31, 2007 but were not received until April 8, 2008. The Management Letter for fiscal year ended September 30, 2007 and 2006 stated the Agency has a material weakness in internal control re: separation of duties. We interviewed the Agency's Controller and concurred with the external auditors.

### IA RECOMMENDATION:

The Agency should deliver to the City the financial reports within 90 days of their fiscal year end. Also, the Agency should improve internal controls re: separation of duties.

- **HCD Reply to Finding and Recommendation:** No comment on the first part of this finding/recommendation. HCD concurs with the second part of the finding recommendation to improve internal controls.

**Summary:** HCD generally concurs with the Internal Audit report.



# City of Greensboro

Date: June 23, 2008  
To: Andy Scott, Director of Housing & Community Development  
From: Internal Audit Division  
Subject: HCD Reply to IA Report-Salvation Army 2006-2007

Thank you for your reply of June 21, 2008. Internal Audit concurs with Housing & Community Development's response to Internal Audit's subject draft report dated May 27, 2008.

Mickey Kerans  
Internal Auditor

Len Lucas  
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager





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GOOD™

William Booth, *Founder*  
Shaw Clifton, *General*  
Maxwell Feener, *Territorial Commander*  
Major Dalton Cunningham, *Divisional Commander*  
Majors Paul & Karen Egan, *Corps Officers*

June 16, 2008

Andy Scott  
Director of Housing & Community Development  
City of Greensboro  
P.O. Box 3136  
Greensboro, NC 27402

RE: Yearly Monitoring Visit

Dear Mr. Scott:

I am writing in response to the City audit letter we received dated May 27, 2008.

Although our official audited financial reports and management letter were not received until April, we did turn in a draft on or before December 31, 2007. This is the earliest that a draft has been prepared in over 15 years. We are making every effort locally to get our audit done as early as possible to meet this deadline. It is a most difficult task, because it relies on our headquarters being able to close out and provide information to our auditors during the busiest season of our organization. We will do our best and expect that we can still deliver a draft on/before December 31<sup>st</sup>, and get the actual audit and management letter there even sooner than we did this past year.

Concerning the weakness mentioned with internal controls and separation of duties, we have hired a third person in our business office, who actually started today. This should allow us to immediately spread the duties and improve internal control measures.

We appreciate the opportunity to respond to the City audit. We also thank you very much for the provided funding to help us operate our programs.

Sincerely,

*Randy S. Loggins*

Randy S. Loggins  
BUSINESS ADMINISTRATOR

cc: Major Paul Egan  
Jackie Lucas

City of Greensboro  
North Carolina

June 23, 2008

Mr. Randy S. Loggins  
Business Administrator  
The Salvation Army  
P. O. Box 5310  
Greensboro, NC 27435-0310

Re: The Salvation Army of Greensboro Grant Year-2006 to 2007

Dear Randy:

We are in receipt of your letter dated June 16, 2008 via e-mail attachment reference the City's Internal Audit report dated May 27, 2008 for the 2006 to 2007 grant year. Your timely response to our report is appreciated.

We agree with you responses and wish you much success in completing the annual audit on time and instituting new internal controls for the Salvation Army of Greensboro.

The City of Greensboro appreciates The Salvation Army's efforts in serving the citizens of Greensboro.

Sincerely,



Mickey Kerans  
Internal Auditor



Len Lucas  
Internal Audit Director

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