



Date: May 27, 2005
To: Ed Kitchen, City Manager
From: Internal Audit Division
Subject: Malachi House, Incorporated

The Internal Audit Division has completed our annual compliance review of the Malachi House, Incorporated. Although we did not have any formal findings or recommendations in our report, there are some management concerns that the Housing & Community Development Department has addressed. Copies of both letters are attached. If you need additional information please let us know. Thanks.

A handwritten signature in black ink, appearing to read 'Len Lucas', with a long horizontal flourish extending to the right.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



Date: May 13, 2005
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit
Subject: Malachi House, Incorporated

The Internal Audit Division has performed our yearly monitoring visit of the Malachi House, Incorporated which received a Shelter Operations grant in the amount of \$33,000 from the City of Greensboro during the 2003 to 2004 grant year.

The **Shelter Operations** grant for \$33,000 was used to provide shelter, long-term recovery assistance and supportive services to men who are substance abusers including long-term recovery care and other supportive services. The grant was to support utilities of \$28,000 and insurance of \$5,000. Approximately 230 clients were served as result of this 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, it appears that the funds have been spent according to the terms of the contract with no exceptions noted.

We would like to thank Mr. Cliff Lovick, Executive Director; Ms. Jackie Hooks, Chief Financial Officer and the staff of the Malachi House, Incorporated 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.

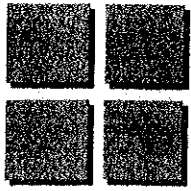
Handwritten signature of Mickey Kerans in black ink.

Mickey Kerans
Internal Auditor

Handwritten signature of Len Lucas in black ink.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Elder Cliff Lovick, Executive Director of Malachi House, Incorporated.



HCD

Department of Housing & Community Development

Cliff Lovick
Malachi House
507 Balboa Street
Greensboro, NC 27405

Mr. Lovick,

Thank you for taking the time to meet with city staff last Wednesday, May 4th, 2005. We appreciate the effort made to reply to the Internal Audit "audit points".

In the evaluation of the information that Malachi House has given to city staff, both Internal Audit and HCD, there remain specific items that need to be addressed.

The primary point of interest is the Malachi House Board of Directors and a strengthening of this body. As we discussed in our meeting Board independence and transparency are vitally important. In order to achieve this independence and transparency the following "best practices" are recommended:

1. For growing organizations like Malachi House more board members can help achieve board independence and transparency.
2. Uncompensated voting board members can help with board independence.
3. Employees and contractors should not typically act as voting board members. They could however act as Ex Officio members representing the agency to the Board.
4. The board would set the compensation of the Executive Director independently of the Executive Director.

It is also recommended that Malachi House separate itself regarding accounting, taxation, and legally, from the activities undertaken on behalf of Teen Challenge USA/International and the NC 2nd Ecclesiastical Jurisdiction COGIC. The City of Greensboro Department of Housing and Community Development can not fund Malachi House for national or international programs and services.

HCD appreciates the cooperation that Malachi House has extended to it regarding these issues.

Sincerely,

Andy Scott

Director

Dept. of Housing and Community Development

City of Greensboro, NC

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