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CITY OF ST. LOUIS

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FILE COPY

October 1, 2012

Suzanne Wegener, Executive Director
Covenant House
2727 N. Kingshighway
St. Louis, MO 63113

RE: Supportive Housing Program (SHP) and Federal Emergency Shelter Grant (FESG)
(Project #2012-HOM15)

Dear Ms. Wegener:

Enclosed is a report of the fiscal monitoring review of the Covenant House, a not-for-profit organization, SHP and FESG Programs, for the period January 1, 2011 through March 31, 2012. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Covenant House. Fieldwork was completed on June 6, 2012.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis Department of Human Services (DHS) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3463.

Sincerely,

Kenneth M. Stone

Dr. Kenneth M. Stone, CPA, CGMA
Internal Audit Executive

Enclosure

Cc: Parimal Mehta, Fiscal Manager, DHS
Antoinette Triplett, Manager II - Homeless Services, DHS

CITY OF ST. LOUIS

DEPARTMENT OF HUMAN SERVICES (DHS)
SUPPORTIVE HOUSING PROGRAM (SHP)
FEDERAL EMERGENCY SHELTER GRANT (FESG)

COVENANT HOUSE
CONTRACT #62868 AND #62397
CFDA #14.231 AND #14.235

FISCAL MONITORING REVIEW

JANUARY 1, 2011 THROUGH MARCH 31, 2012

PROJECT #2012-HOM15

DATE ISSUED: OCTOBER 1, 2012

Prepared By:
The Internal Audit Section

OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
SUPPORTIVE HOUSING PROGRAM (SHP)
FEDERAL EMERGENCY SHELTER GRANT (FESG)
COVENANT HOUSE
FISCAL MONITORING REVIEW
JANUARY 1, 2011 THROUGH MARCH 31, 2012

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INTRODUCTION

Background

Contract Name: Covenant House

Contract Numbers: 62868 (SHP)
62397 (FESG)

CFDA Numbers: 14.235 (SHP)
14.231 (FESG)

Contract Periods: January 1, 2011 through March 31, 2012 (SHP)
January 1, 2011 through December 31, 2011 (FESG)

Contract Amounts: $255,225 (SHP)
$ 17,840 (FESG)

These contracts provided Supportive Housing Program (SHP) and Federal Emergency Shelter Grant (FESG) funds to Covenant House (Agency) to promote the delivery of supportive housing and supportive services to assist homeless persons in the City of St. Louis in the transition from homelessness to independency and permanent housing.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local Department of Human Services (DHS) requirements for the period January 1, 2011, through March 31, 2012, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by DHS. Evidence was tested supporting the reports the Agency submitted to DHS and other procedures were performed as considered necessary. Fieldwork was completed on June 6, 2012.

Exit Conference

The Agency was offered an exit conference on September 4, 2012, but the Agency declined.

Management's Response

The management's responses to the observations and recommendations identified in the report were received on September 12, 2012. The responses have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local DHS requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2011-HOM21, issued December 16, 2011, contained no observations.

A-133 Status

According to a letter received from the Agency dated May 26, 2012, it did not expend $500,000 or more in federal funds during its fiscal year ended June 30, 2011; therefore, the Agency was not required to have an A-133 audit.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented could assist the Agency in fully complying with federal, state, and local DHS requirements.

1. Opportunity to maintain a program capacity rate of 95%

2. Opportunity to provide supporting documentation for non-payroll expenditures (Questioned Costs $1,094.20)

3. Opportunity to provide timesheets for grant funded employees (Questioned Costs $9,106.98)

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity to maintain a program capacity rate of 95%

The Agency's Annual Progress Report indicates the program capacity rate of 95% was not met by the end of the contract period July 1, 2010 through June 30, 2011. The Agency's projected level of persons to serve at a given point in time is 32, and the Agency only served 29 persons as of the last day of the operating year, which is a capacity rate of 91%.

The St. Louis City Continuum of Care objectives, Attachment B-6, of the contract agreement, between the Agency and the City states, "The agency agrees to maintain a program capacity rate of 95%".

As a transitional program, the clients housed are homeless teens 16-21 that may be in the program due to conflicts within the family, and during their stay, the teen may re-connect and mend their family relationships and move back home with their families, which may lead to a fluctuation in the number of persons served.

Not meeting the capacity rate defined in the contract may result in the Agency being judged to be in default of the contract. Sanctions for default may include:

- A letter of warning advising the Agency of the default
- Establishing a date by which corrective action must be completed
- Directing the Agency to suspend, discontinue or not to incur cost for the affected activity
- Reducing or recapturing of the grant.

Recommendation

It is recommended that the agency develop and implement procedures to identify and notify eligible clients of their supportive services.

Management's Response

Covenant House Missouri's rate was 91% at the end of the operating year. We will develop an internal system on informing youth service providers of beds available for occupancy. This will be communicated at partner meetings, email notifications, and to clients who are living in short term housing programs who are in need of long term transitional housing services. Although the capacity rate was lower than the 95%, there were other successes accomplished in the program.

Covenant House Missouri will continue to make every effort to remain at the recommended utilization rate while also focusing on successful completion of the program to end homelessness amongst youth/young adults.

2. Opportunity to provide supporting documentation for non-payroll expenditures (Questioned Cost, $1,094.20)

The Agency claimed reimbursement for fuel costs in the amount of $462.20 (services for client housing) in October 2011 (SHP). The Agency allocated fuel costs equally between programs without a basis for the choice. The Agency also claimed reimbursement for youth travel (student bus passes and tickets) in the month of July 2011 (FESG) for $632 and did not provide a tracking log to adequately document the following information:

- Names of students receiving bus passes or tickets
- Number of passes/tickets given to each student
- Date and cost associated with each department's fuel usage
- Destination and purpose of travel for each department

Section VII of the Record Keeping Requirements DHS manual states "Agencies must maintain adequate supporting documentation for all transactions. Supporting documentation include invoices, bills, contracts, time reports and any other documentation that helps validate transactions".

The Agency has several vans shared by different drivers and a fleet credit card used to purchase fuel to transport youth. Before and after each trip, the driver fails to document on the fuel receipt which program the van was used for, in order to properly bill the specific program. The same issue was noticed with the issuing of bus passes and tickets.

The Agency could be reimbursed for expenditures that did not actually occur, which could result in suspension or termination of the grant agreement.

Recommendation

It is recommended that the Agency maintain a tracking log to support the validity of each transaction that is being claimed for fuel and bus transportation reimbursements.

Management's Response

Covenant House Missouri does track the staff designated to the program when utilizing the van. We will implement a new tracking tool where the staff will indicate how many youth and from what program they are residing in so that there is a clear representation of what programs are utilizing the van. In addition, a sheet has been developed to document when each youth received a bus ticket. The form will also indicate in what program the youth resides.

3. Opportunity to provide timesheets for grant funded employees (Questioned Cost, $9,106.98)

A review of the employees' timesheets revealed that the Agency did not maintain timesheets for full-time (exempt) employees whose salaries were charged to the FESG grant in the months of January and July totaling $1,064.95 ($512.44+$552.51). Timesheets were also not maintained for the SHP grant in the months of August and October, totaling $8,042.03 ($3,966.67+$4,075.36). As a result, it could not be determined if the following employees' salaries were properly charged to the FESG and SHP programs:

ESG GRANT PAYROLL

Position/Title	Category	Reimbursement Amount
	JANUARY	
Case Mgr.	Supportive. Services	$97.08
Case Mgr.	Supportive Services	$97.09
Case Mgr.	Supportive Services	$89.59
Case Mgr.	Supportive Services	$89.58
Case Mgr.	Supportive Services	$89.59
Case Mgr.	Supportive Services	$89.58
	JULY	
Case Mgr.	Supportive Services	$83.76
Case Mgr.	Supportive Services	$88.17
Case Mgr.	Supportive Services	$76.28
Case Mgr.	Supportive Services	$80.29
Case Mgr.	Supportive Services	$89.61
Case Mgr.	Supportive Services	$94.33
GRAND TOTAL		**$1064.95**

SHP GRANT PAYROLL

Position/Title	Category	Reimbursement Amount
	AUGUST	
Site Mgr.	Operations	$502.97
Site Mgr.	Operations	$502.97
Facilities Mgr.	Operations	$303.98
Facilities Mgr.	Operations	$303.98

Dir. of Operations	Operations	$515.23
Dir. of Operations	Operations	$515.23
Case Mgr.	Supp. Services	$582.87
Case Mgr.	Supp. Services	$582.87
Shift Supervisor	Supp. Services	$76.28
Shift Supervisor	Supp. Services	$80.29
	OCTOBER	
Site Mgr.	Operations	$502.97
Site Mgr.	Operations	$502.97
Facilities Mgr.	Operations	$303.98
Facilities Mgr.	Operations	$303.98
Dir. of Operations	Operations	$515.23
Dir. of Operations	Operations	$515.23
Case Mgr.	Supp. Services	$582.87
Case Mgr.	Supp. Services	$582.87
Shift Supervisor	Supp. Services	$132.63
Shift Supervisor	Supp. Services	$132.63
GRAND TOTAL		**$8,042.03**

Section VII of the DHS Manual states "a timesheet for each employee must be maintained for each pay period. The time report must display actual hours worked and/or time off for each working day. The time report must also be signed by the employee and the supervisor or authorized representative. Minimum information requirements include: Pay period, Employee name, Employee signature, Supervisor signature (or authorized representative), Individual days in the pay period, Actual hours worked or charged to activities funded by the grant during the pay period."

Federal Register/Vol. 70, No. 168 Appendix B to Part 230 – Selected Items of Cost Section M states "Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards".

The Agency was unaware that each full-time employee should have maintained a timesheet that reflects any time spent in whole or in part on the grant.

If timesheets are not maintained for each pay period for every grant funded employee, the grant may be charged for unallowable costs and employees may not be paid for hours worked.

Recommendation

It is recommended that the Agency comply with the grant terms by preparing and maintaining timesheets for each pay period for every grant funded employee.

Management's Response

Beginning July 1, 2012, all Covenant House Missouri employees are required to submit timesheets through our ADP payroll system. The timesheet are submitted by the employees and approved by their respective supervisor.