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CITY OF ST. LOUIS



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Internal Audit Executive

FILE COPY

August 1, 2012

Tyrone Roberson, Executive Director
Emmanuel Outreach Ministries
4518 Blair Ave
St. Louis, MO 63107

RE: Federal Emergency Shelter Grant (FESG) (Project #2012-HOM17)

Dear Mr. Roberson:

Enclosed is the report of the fiscal monitoring review of Emmanuel Outreach Ministries, a not-for-profit organization, FESG program, for the period January 1, 2011 through March 31, 2011. 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 Emmanuel Outreach Ministries. Fieldwork was completed on July 23, 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 Department of Human Services (DHS) to provide fiscal monitoring to all federal grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at 314-657-3490.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Antoinette Triplett, Manager II - DHS
Parimal Mehta, Fiscal Manager - DHS



CITY OF ST. LOUIS

**DEPARTMENT OF HUMAN SERVICES (DHS)
FEDERAL EMERGENCY SHELTER GRANT (FESG)**

**EMMANUEL OUTREACH MINISTRIES
CONTRACT #62392
CFDA #14.231**

FISCAL MONITORING REVIEW

JANUARY 1, 2011 THROUGH MARCH 31, 2011

PROJECT #2012-HOM17

DATE ISSUED: August 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)
FEDERAL EMERGENCY SHELTER GRANT (FESG)
EMMANUEL OUTREACH MINISTRIES
FISCAL MONITORING REVIEW
JANUARY 1, 2011 THROUGH MARCH 31, 2011**

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INTRODUCTION

Background

Contract Name: Emmanuel Outreach Ministries
Contract Number: 62392
CFDA Number: 14.231
Contract Period: January 1, 2011 through March 31, 2011
Contract Amount: \$27,000

The contract provided Federal Emergency Shelter Grant (FESG) funds to Emmanuel Outreach Ministries (Agency) to provide comprehensive continuum of care services for eligible homeless persons, and persons at risk of becoming homeless, in the City of St. Louis. The provision of financial assistance is provided to existing emergency shelters and providers of services to homeless individuals and families.

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, 2011, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants 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 July 23, 2012.

Exit Conference

On February 10, 2012, the Agency was offered an opportunity for an exit conference but the Agency declined the invitation.

Management's Response

On February 10, 2012, the Agency was provided with our observations and recommendations and a response was requested by February 17, 2012; however, as of the date of the report, the Agency has not responded.

SUMMARY OF OBSERVATIONS

Conclusion

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

Status of Prior Observations

The Agency has not received a prior audit report because this is the first time that the Agency has received a FESG grant/contract.

A-133 Status

According to a letter received from the Agency, dated January 25, 2012, it did not expend \$500,000 or more in federal funds in its calendar year ended December 31, 2011, and was not required to have an A-133 single audit report.

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 meet the matching requirement, questioned cost \$27,000
2. Opportunity to produce documentation for maintaining fidelity insurance

DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

1. Opportunity To Meet The Matching Requirements, Questioned Cost \$27,000

The Agency was requested to provide documentation of meeting the matching requirement. The Agency did not provide documentation of matching the \$27,000 grant. Code of Federal Regulations Section 24 sub section 576.51 states "Each grantee, other than a territory, must match the funding provided by HUD under this part as set forth in 42 USC 11375."

The Agency did not meet the matching requirement of the grant. According to A-133 compliance supplement, Section G, matching requirements is defined as a "requirement to provide contributions (usually non-federal) of a specified amount or percentage to match Federal awards." FESG grants has a matching requirement of 100% of the federal amount awarded.

United States Code Section 42 part 11375, states "...each recipient under this part shall be required to supplement the assistance provided under this part with an equal amount of funds from sources other than this part. Each recipient shall certify to the Secretary its compliance with this paragraph, and shall include with such certification a description of the sources and amounts of such supplemental funds."

The Agency did not believe that they would have to meet the matching requirements since this was a "one time" grant.

Code of Federal Regulations Section 24 part 576.67 states "If a state determines that a state recipient is not complying with the requirements of this part or other applicable Federal Laws, the state must take appropriate actions, which may include the actions described paragraph (a) of this section.

- 1) Issue a warning letter that further failure to comply with such requirements will result in a more serious sanction.
- 2) Condition a future grant.
- 3) Elect not to provide future grant funds to the grantee until appropriate actions are taken to ensure compliance.
- 4) Reduce the level of funds the grantee would otherwise be entitled to receive.

Recommendation

It is recommended that the Agency repay the Department of Human Services (DHS) for the total questioned cost of \$27,000. In addition, it is recommended that the Agency implement and monitor a system that ensures that the Agency has matching funds for future FESG.

Management's Response

On February 10, 2012, the Agency was provided with our observations and recommendations and a response was requested by February 17, 2012; however, as of the date of the report, the Agency has not responded.

Auditor's Comment

Per 24 CFR 576.51 (a) (3) "It is the responsibility of the grantee to ensure that any funds used as matching funds are eligible under the laws governing the funds to be used as matching funds for a grant awarded under this program." As of the field work date of July 23, 2012, IAS has not received documentation of the matching requirement.

2. Opportunity To Produce Documentation For Maintaining Fidelity Insurance

On January 26, 2012, the Auditor faxed a letter to the Agency requesting a copy of the insurance declaration page. In addition, the letter requested proof that the fidelity insurance was paid. The Agency did not produce documentation of fidelity insurance or proof that the insurance was paid.

The Department of Human Services Homeless Services Division Procedures Manual Section three, bonding insurance states, "Each Agency is required to have bonding (fidelity) insurance coverage for all persons employed or authorized to perform functions related to the execution of the project funded by DHS. The insurance must be in effect for the entire contract period. Agencies must submit written evidence of their compliance with this requirement to DHS."

The Agency believed that this requirement does not apply to them because this was a one time grant.

Failure to maintain adequate and current fidelity bonding increases financial risk to DHS, the Agency, and potential loss of federal funds and future reimbursements.

Recommendation

It is recommended that the Agency obtain and/or produce documentation of adequate required fidelity bonding insurance

Management's Response

On February 10, 2012, the Agency was provided with our observations and recommendations and a response was requested by February 17, 2012; however, as of the date of the report, the Agency has not responded.