



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

November 1, 2011

Martin Rafanan, Executive Director
Gateway Homeless Services
1000 N. 19th Street
St. Louis, MO 63106

RE: Emergency Shelter Grant (ESG) (Project #2011-HOM12)

Dear Mr. Rafanan:

Enclosed is a report of the fiscal monitoring review of the Gateway Homeless Services, a not-for-profit organization, ESG program, for the period January 1, 2010 through November 30, 2010. 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 Gateway Homeless Services. Fieldwork was completed on March 8, 2011.

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



CITY OF ST. LOUIS

**DEPARTMENT OF HUMAN SERVICES (DHS)
EMERGENCY SHELTER GRANT (ESG)**

**GATEWAY HOMELESS SERVICES
CONTRACT #61913
CFDA #14.231**

FISCAL MONITORING REVIEW

JANUARY 1, 2010 THROUGH NOVEMBER 30, 2010

PROJECT #2011-HOM12

DATE ISSUED: NOVEMBER 1, 2011

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
EMERGENCY SHELTER GRANT
GATEWAY HOMELESS SERVICES
FISCAL MONITORING REVIEW
JANUARY 1, 2010 THROUGH NOVEMBER 30, 2010**

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INTRODUCTION

Background

Contract Name: Gateway Homeless Services

Contract Number: 61913

CFDA Number: 14.231

Contract Period: January 1, 2010 through December 31, 2010

Contract Amount: \$63,300

The contract provided Emergency Shelter Grant (ESG) funds to Gateway Homeless Services (Agency) to provide a comprehensive continuum of care services for eligible homeless persons or persons who are at risk of becoming homeless in the City of St. Louis. Services are also extended to individuals in a location which is more than 100 miles from the City of St. Louis or whose last known permanent address was more than 100 miles from the City of St. Louis.

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, 2010, through November 30, 2010, 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 March 8, 2011.

Exit Conference

An exit conference was offered to the Agency on July 1, 2011; however, a response was not received.

Management's Responses

On June 24, 2011, the Agency was provided with our observations and recommendations, and a response was requested by July 1, 2011; however, as of the date of the report, the Agency had not responded.

SUMMARY OF OBSERVATIONS

Conclusion

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

Status of Prior Observations

IAS did not conduct a fiscal monitoring review for FY 2010.

A-133 Status

The Agency did not expend \$500,000 or more in federal funds for its calendar year ended December 31, 2010; therefore, it 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 improve internal controls over time reporting
2. Opportunity to match reimbursed program costs (**Questioned Costs, \$63,300**)
3. The Agency over-billed payroll expenses (**Questioned Costs, \$5,460.25**)

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity To Improve Internal Controls Over Time Reporting

Internal Audit Section reviewed time cards for the FESG employees for the months of March and May 2010, and it was noted that time cards were not signed and approved by management.

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 also must 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".

Agency management did not have a system of internal controls in place to ensure compliance with the requirements of DHS procedures manual concerning time reporting.

Ineffective internal controls regarding time reporting may result in erroneous payroll expenses leading to salaries paid for hours not worked.

Recommendation

It is recommended that the Agency implement internal control procedures to ensure FESG employee time cards are approved and signed by a supervisor or authorized representative.

Management's Response

On June 24, 2011, the Agency was provided with our observations and recommendations and a response was requested by July 1, 2011; however, as of the date of the report, the Agency had not responded.

2. Opportunity To Match Reimbursed Program Costs (Questioned Costs, \$63,300)

Internal Audit Section could not determine if the Agency met the cost matching requirements for the program's operating and supportive services costs reimbursed to the Agency. The Agency received reimbursements of \$63,300 from DHS for program costs. However, the Agency did not provide any documentation to support that it incurred additional program costs of at least \$63,300, which the Agency paid from its own funds.

The Agency's 2010 FESG contract budget requires that the Agency match the reimbursed program operating costs with its own funds in equal amounts.

The Agency did not have a system of internal control in place to ensure it maintained adequate documentation that clearly showed the matching dollars provided. Non-compliance with DHS matching requirements may result in suspension or termination of the grant agreement.

Recommendation

It is recommended that the Agency:

- Provide documents to support that it matched the program operating costs reimbursed by incurring additional program costs that were financed by its own funds or return to the City \$63,300 for not meeting the cost matching requirement of the contract.
- Establish and implement a system of internal controls to meet all requirements of the grant agreement.

Management's Response

On June 24, 2011, the Agency was provided with our observations and recommendations and a response was requested by July 1, 2011; however, as of the date of the report, the Agency had not responded.

3. The Agency Over-billed Payroll Expenses (Questioned Costs, \$5,460.25, included in observation #2)

IAS tested the agency's payroll expenditures for March and May 2010. It was noted that the Agency billed DHS in excess of the grant budget for the casework director for the month of March for \$2,286.98. In addition, for the months of March and May, the Agency billed in excess of the budget for two Caseworkers for \$3,173.27, resulting in total questioned costs of \$5,460.25 (2,286.98+3,173.27).

Full-time employee percentage and contract amounts for each position are provided in the FESG budget referenced the Essential Services costs section of Attachment J of the grant agreement.

The Agency did not have a system of internal control in place to ensure that its requests for reimbursements comply with the terms and conditions of the grant agreement. Non-compliance with the requirements of the grant agreement may result in suspension or termination of the grant funding.

Recommendation

It is recommended that the Agency:

- Establish a system of internal control to ensure its requests for reimbursements comply with the terms and conditions of the contract before they are submitted for reimbursement.
- Repay DHS \$5,460.25 in over-billed payroll expenses, if the questioned costs in Observation #2, which include this amount, have been resolved to the DHS' satisfaction.

Management's Response

On June 24, 2011, the Agency was provided with our observations and recommendations and a response was requested by July 1, 2011; however, as of the date of the report, the Agency had not responded.