CITY OF ST. LOUIS

DEPARTMENT OF HUMAN SERVICES (DHS)
HEARTH EMERGENCY SHELTER GRANT (HESG)
SUPPORTIVE HOUSING PROGRAM (SHP)

COVENANT HOUSE OF MISSOURI
CONTRACT #64749 & #64241
CFDA #14.235 & #14.231

FISCAL MONITORING REVIEW

JANUARY 1, 2012 THROUGH JANUARY 31, 2013

PROJECT #2013-HOM10

DATE ISSUED: June 7, 2013

Prepared by:
The Internal Audit Section

OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

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FILE COPY

June 7, 2013

Ms. Suzanne Wagener, Executive Director
Covenant House of Missouri
2727 N. Kingshighway
St. Louis, MO 63113

RE: Supportive Housing Program (SHP) & Hearth Emergency Shelter Grant (HESG)
(Project #2013-HOM10)

Dear Ms. Wagener:

Enclosed is the report of the fiscal monitoring review of Covenant House of Missouri, a not-for-profit organization, SHP & HESG programs, for the period January 1, 2012 through January 31, 2013. 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 of Missouri. Fieldwork was completed on March 12, 2013.

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,

Kenneth M. Stone

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

Enclosure

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

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INTRODUCTION

Background

Contract Name: Covenant House of Missouri

Contract Numbers: 64749 (SHP)
64241 (HESG)

CFDA Numbers: 14.235 (SHP)
14.231 (HESG)

Contract Periods: July 1, 2012 through June 30, 2013 (SHP)
January 1, 2012 through December 31, 2012 (HESG)

Contract Amounts: $255,225 (SHP)
$15,170 (HESG)

These contracts provided Hearth Emergency Shelter Grant (HESG) funds & Supportive Housing Program funds (SHP) to Covenant House of Missouri (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 of January 1, 2012 through January 31, 2013 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 March 12, 2013.

Exit Conference

An exit conference was conducted at the Agency on May 2, 2013. The Agency was represented by the Senior Accountant. The Internal Audit section (IAS) was represented by the Auditor and Auditor-In-Charge.

Management's Responses

Management's responses were received on May 28, 2013. The responses were incorporated into the 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 #2012-HOM15, issued October 1, 2012 contained three observations.

1) Opportunity to maintain a program capacity rate of 95%. **(Resolved)**
2) Opportunity to provide supporting documentation for non-payroll expenditures-questioned costs of $1,094.20. **(Resolved)**
3) Opportunity to provide timesheets for grant funded employees – questioned costs of $9,106.98. **(Resolved)**

A-133 Status

According to a letter received from the Agency, dated February 22, 2013, it did not expend $500,000 or more in Federal Funds in its fiscal year ended June 30, 2012; therefore it was not required to have an A-133 audit.

Summary of Current Observations

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

1) Opportunity to improve asset management.
2) Opportunity to maintain adequate timesheets for grant funded employees.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES.

1) Opportunity To Improve Asset Management.

The Agency did not submit a list of the following fixed assets, purchased with DHS grant funds, to DHS no later than 30 days after the end of the 2012 contract year:

# of items	Description	Color	Date of purchase	Cost ($)
1	2070E Club chair	Red	4/25/2012	385.00
1	2070E Club chair	Quiet green	4/25/2012	385.00
1	2070E Club chair	Sedona	4/25/2012	385.00
1	2070E Club chair	Citrus	4/25/2012	385.00
4	S57E Sofa	Camel	4/25/2012	2,440.00
12	4190E Club Chair	Forest	4/25/2012	3,348.00
12	4190E Club Chair	Cardinal	4/25/2012	3,348.00
	Delivery fee		4/25/2012	185.00
	Warranty		4/25/2012	400.00
	Total			**11,261.00**

Contract #64749 states, "All office equipment, real property, supplies, materials, and other property purchased in whole or in part with supportive housing funds and used for the implementation and conduct of this project shall be the sole property of the City of St. Louis. The Contractor must submit to DHS an Equipment Inventory List and Real Property Inventory List of all equipment and real property purchased with supportive housing grant funds during each year of the contract, no later than 30 days after the end of each contract year."

In addition, Agency did not comply in following Agency's procurement guidelines. Agency purchased $11,261 in furniture products on April 25, 2012. The purchase was tested for compliance with Agency's procurement policy. It was found that this purchase did not have the required documentation to prove open and free competition.

The Agency's procurement policy states that for all items over $250 verbal or written quotations are to be obtained for all items up to $2,500. The policy requires a minimum of two quotations if cost is $1,500 or under and a minimum of three quotations if the cost is $2,500 or above.

The Agency did not have a system of internal controls in place to ensure:

- Documentation of all capital assets, purchases, and submission of this information to DHS no later than 30 days of the end of each contract year.
- Compliance with its procurement policy.

Lack of adequate internal control over the Agency's grants funded capital assets increases the risk of loss, theft, or misuse and may result in suspension or termination of the grant contract.

Recommendation

It is recommended that the Agency implement a system of internal control to ensure:

- Compliance with the requirements of its procurement policy.
- Submission to DHS of a list of all grant funded fixed assets no later than 30 days of the end of each contract year.

Management's Response

Covenant House Missouri has amended their procurement policy to include the statement to ensure open and free competition. In addition, controls have been put into place to ensure compliance for all items purchased over $2,500. Three quotes will be submitted for approval to the Director of Operations and kept on file for future fiscal monitoring reviews.

In reference to, "documentation for all capital asset purchases and submission or this information to DHS no later than 30 days of the end of each contract year", we are now aware of this policy and will adhere to it in the future.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES.

2) Opportunity To Maintain Adequate Timesheets For Grant Funded Employees.

The Agency did not adequately maintain timesheets for grant funded employees for the months of September and November 2012. Employee's payroll time sheets for the month of November 2012 for contract #64241 were tested. Six out of six employee's payroll time sheets were not signed by the employee. Employee's payroll time sheets for the month of November 2012 for contract #64749 were tested. Nine out of nine employee's payroll time sheets were not signed by the employee.

Section VII of the DHS Homeless Services Division Procedures 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."

Agency's payroll system did not ensure compliance with DHS requirement that grant funded employee timesheets include signature from the employee.

The lack of internal controls, over adequate documentation in time reporting, may result in lack of compliance with DHS requirement.

Recommendation

It is recommended that the Agency implement a system of internal control to ensure:

- Appropriate maintenance of grant funded employee's timesheets.

Management's Response

Timekeeping Procedures for Covenant House

Covenant House Missouri utilizes ADP for payroll processing and timekeeping. All employees are expected to track their hours worked and their paid time off through the Time and Attendance product in the ADP suite of software products. Human Resources utilizes the other products such as payroll, reporting and the HRIS product. During orientation, all employees are trained at how to access the ADP system and how to complete their timesheets. Additional training is provided as a follow-up. Supervisors and managers are provided separate training. Exempt employees and hourly employees use the ADP software differently as outlined below. Furthermore, when an employee starts at CHMO, the Director of Human Resources enters the employee into the ADP

starts at CHMO, the Director of Human Resources enters the employee into the ADP HRIS software and establishes a timesheet for all employees and assigns access rights for Managers and Directors. During the payroll processing, all employees complete their timesheets by the Friday before payroll. Managers and Directors access the timesheets completed by their employees and verify data prior to approval. Once done, HR reviews all timesheets again prior to submitting time to the payroll system for pay.

Following payroll, the final payroll reports that include the hours worked and the paid time hours used are reviewed by the Executive Director and the Senior Accountant.

Hourly Employees

Hourly employees are expected to use the timeclock located on the first floor to clock in and out for their work hours. To clock in and out, an employee enters their social security number into the keypad on the timeclock and presses enter. There are no access cards to clock in or out so no one clock someone else in or out. The date is uploaded into the ADP Time and Attendance software. The employee can view their timesheet by accessing their timesheet through the ADP software program available through the internet. Employees cannot edit their time, but only view. If an employee wishes to use paid time off such as sick, personal or vacation, they must complete a paid time off request form and submit to their supervisor for review and approval. If approved, the supervisor will manually enter the time off onto the timesheet and enter the appropriate earnings code. The supervisor reviews and approves all timesheets for their team in the system electronically. ADP records their approval.

Exempt Employees

Exempt employees are expected to log in and enter their hours worked into the ADP Time and Attendance software. If an employee wishes to use paid time off such as sick, personal or vacation, they must complete a paid time off request form and submit to their supervisor for review and approval. If approved, they can manually enter the time off onto the timesheet and enter the appropriate earnings code. The supervisor reviews and approves all timesheets for their team in system electronically. ADP records this approval.

We will, therefore, be sending our timesheet procedures to DHS to request a waiver from DHS in reference to employee signature.