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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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February 8, 2007

Ms. Teresa Hayden, Director
Covenant House Missouri
11 S Newstead Avenue
St. Louis, MO 63113

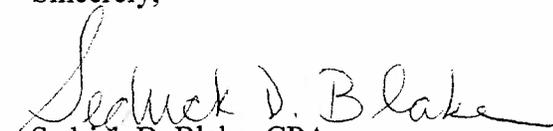
RE: Fiscal Monitoring Report of Covenant House Missouri, Federal Emergency Shelter
Grant (FESG) (#2007-HOM15)

Dear Ms. Hayden:

Enclosed is a report of our fiscal monitoring review of Covenant House Missouri (Document #50539 and #53159) for the period January 1, 2005 through December 31, 2005 and January 1, 2006 through September 30, 2006, respectively. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Covenant House Missouri. Our fieldwork was completed on November 2, 2006.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and through an agreement with the Department of Human Services (DHS) to provide fiscal monitoring to all grant subrecipients. If you have any questions, please contact Charles Schroeder at 589-6089.

Sincerely,


Sedrick D. Blake, CPA
Audit/Fiscal Executive

Enclosure

cc: Patrick Brennan, Fiscal Manager, Department of Human Services
Antoinette Triplett, Program Manager II, Homeless Services DHS
Judith Holstein, Accountant II, Federal Grants Section
John Zakibe, Deputy Comptroller



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January 22, 2007

Patrick Brennan, Fiscal Manager
Department of Human Services
634 N. Grand Boulevard, Room 721
St. Louis, MO 63103-1002

RE: Fiscal Monitoring Review of Covenant House Missouri (Project #2007- HOM15
Issued February 8, 2007)

Dear Mr. Brennan:

For the period reviewed, Covenant House did not comply with the requirements of the contract. The Agency charged unallowable expenses to its 2006 FESG grant (Document #53159). The Agency's non-compliance has resulted in questioned costs totaling \$568.23 (See Observation #3 of the enclosed fiscal monitoring report).

We are recommending the Agency reimburse the questioned costs of \$568.23 to DHS by March 9, 2007. We are also recommending that if the agency does not reimburse the questioned costs by March 9, 2006, this amount be taken from the Agency's next request for reimbursement for 2007 FESG grant.

If you have any questions, please call Charles Schroeder at (314) 589-6089.

Respectfully,

Sedrick D. Blake, CPA
Audit/Fiscal Executive

Enclosure

cc: Antoinette Triplet, Program Manager II, Homeless Services, DHS
Judith Holstein, Accounting II, Federal Grants Section
John Zakibe, Deputy Comptroller



CITY OF ST. LOUIS

*DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES PROGRAM*

*COVENANT HOUSE MISSOURI
FEDERAL EMERGENCY SHELTER GRANT (FESG)
DOCUMENTS #50539 AND #53159*

FISCAL MONITORING REVIEW

*JANUARY 1, 2005 THROUGH DECEMBER 31, 2005 AND
JANUARY 1, 2006 THROUGH SEPTEMBER 30, 2006*

PROJECT #2007-HOM15

DATE ISSUED: FEBRUARY 8, 2007

*Prepared by:
The Internal Audit Section*



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES
COVENANT HOUSE MISSOURI
DOCUMENT #50539 AND #53159
FISCAL MONITORING REVIEW
JANUARY 1, 2005 THROUGH DECEMBER 31, 2005
JANUARY 1, 2006 THROUGH SEPTEMBER 30, 2006**

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**CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
HOMELESS SERVICES
COVENANT HOUSE MISSOURI
DOCUMENT #50539 AND #53159
FISCAL MONITORING REVIEW
JANUARY 1, 2005 THROUGH DECEMBER 31, 2005
JANUARY 1, 2006 THROUGH SEPTEMBER 30, 2006**

INTRODUCTION

Background

Contract Name: Covenant House Missouri

Document Numbers: 50539 and 53159

Contract Periods: January 1, 2005 through December 31, 2005
January 1, 2006 through September 30, 2006

Contract Amounts: \$12,000 and \$11,880

This contract provides funds from the Department of Housing and Urban Development (HUD), Federal Emergency Shelter Grant (FESG) to Covenant House Missouri to provide transitional housing to single teenage men and women between the ages of 17 and 21 who are homeless or at risk of becoming homeless.

Purpose

The purpose of this fiscal monitoring review was to determine Covenant House Missouri's (Document #50539 and #53159) compliance with federal, state and local Department of Human Services (DHS) requirements for the period January 1, 2005 through December 31, 2005 and January 1, 2006 through September 30, 2006, respectively, and make recommendations for improvements.

Scope and Methodology

We made inquiries regarding Covenant House Missouri's internal controls relating to the grant administered by the Department of Human Services (DHS), tested evidence supporting the reports the Agency submitted to DHS and performed other procedures considered necessary. Our fieldwork was completed on November 2, 2006. Management's responses were received on December 13, 2006 and have been incorporated into this report.

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JANUARY 1, 2006 THROUGH SEPTEMBER 30, 2006**

CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

Covenant House Missouri did not fully comply with federal, state and local DHS requirements.

Status of Prior Observations

This is the first fiscal monitoring review for the Department of Human Services Program for Covenant House Missouri. Therefore, the Agency does not have any prior observations.

A-133 Status

The Covenant House of Missouri is affiliated with Covenant House and Affiliates, which is a national organization. The national organization expended \$500,000 or more in federal funds for the year ending June 30, 2005 and was consequently subject to an A-133 audit. The audit report, dated April 24, 2006, issued an unqualified opinion on the financial statements and federal awards. There were no reportable conditions, findings or questioned costs. However, there were three findings required to be reported in accordance with Section 510 (a) of OMB Circular A-133. None of these findings were related to Covenant House Missouri. The IAS did not review the A-133 audit report because no expenditures were recorded on the City's general ledger for the period ending June 30, 2005.

Summary of Current Observations

We made recommendations for the following observations, which if implemented, could assist Covenant House Missouri in fully complying with federal, state, and local DHS requirements.

1. The Agency did not submit monthly reports on time
2. The Agency did not require two authorized signatures on checks
3. The Agency charged unallowable expenses to the FESG contract

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JANUARY 1, 2006 THROUGH SEPTEMBER 30, 2006**

**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

1. The Agency did not submit monthly reports on Time

The Department of Human Services policy guidelines require the Agency to submit monthly financial and programmatic reports by the 15th day of the month after the previous month end. For document #50539, the Agency submitted seven out of eight reports late on an average of 31 days. For document #53159, the Agency submitted two out of two reports late on an average of 61 days. Reimbursements may be delayed when reports are submitted late.

Recommendation

We recommend the Agency comply with the Department of Human Services requirements and submit reports in a timely manner.

Management's Response

Yes, we concur with the observation. For most of the time period listed above, Covenant House Missouri did not have a Director of Finance; therefore financials were not always completed timely. We now have a Director of Finance on staff. We are in the process of getting back on schedule and getting reports to you in a timely manner.

2. The Agency does not require two authorized signatures on checks

The Department of Human Services policy guidelines require the Agency to have two authorized personnel sign checks. The Agency does not require two authorized people sign checks under \$2,500. However, there are strong internal controls in place regarding the invoice processing and check printing. This is part of the Covenant House Missouri accounting procedures. Internal Control over expenditures may be reduced when only one individual signs disbursement checks.

Recommendation

We recommend the Agency comply with the Department of Human Services guidelines and require two authorized signatures for all checks.

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JANUARY 1, 2006 THROUGH SEPTEMBER 30, 2006**

**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

2. Continued...

Management's Response

Yes, we concur with the observation. Covenant House Missouri requires two signatures on checks \$2,500 and more. To require two signatures on checks under \$2,500 would be a hardship on our agency because of "internal controls and separation of duties", a small staff, and individuals with signature responsibilities travel.

A letter has been written to Antoinette asking this requirement be waived.

3. The Agency charged unallowable expenses to the FESG Grant

The Department of Human Services and OMB Circular A-122 policy guidelines deem entertainment expenses unallowable and non-reimbursable with federal grant funds. The Agency charges cable television to the FESG grant. The total amount charged to the grant for the months reviewed was \$201.30. We also noted for contract #53159, the Agency charged \$366.93 for food and maintenance supplies when the contract budget reimburses for only utility expenses. This is a total questioned cost of \$568.23. Management was unaware that this expense was not reimbursable. Requesting expenses for reimbursement which are not allowed under federal guidelines can result in questioned costs or denial for reimbursement.

Recommendation

We recommend the Agency repay DHS \$568.23 for the unallowable expenses charged to the FESG program by March 9, 2007. They should submit a check for \$568.23 payable to the Comptroller's Office – Federal Grant Section, 1114 Market St., 6th Floor, St. Louis, MO 63103. The check should reference Fund #1167 and Center #8008606. A copy of this check should be furnished to Internal Audit to the attention of Charles Schroeder, at the same address. If the Comptroller's Office does not receive the repayment by March 9, 2007, we recommend that this amount is taken from the Agency's next request for reimbursement. We also recommend the Agency submit a revised budget for any future reimbursements not documented in the contract budget.

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JANUARY 1, 2006 THROUGH SEPTEMBER 30, 2006**

**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

3. Continued...

Management's Response

Yes, we concur with the observation. Covenant House Missouri apologizes for cable television and food and maintenance supplies expenses charged to this grant in (2006) in the amount of \$568.23. Instead of reimbursing this amount, we ask that you allow us to resubmit reports in (2006) that correctly reflect proper expenses.

For ongoing reports, we will not be submitting unallowable and non-reimbursable expenses.

Auditor's Comments

The 2005 and 2006 FESG grants are closed. We recommend the Agency repay DHS \$568.23 for the unallowable expenses charged to the FESG program by March 9, 2007. Otherwise, this amount will be taken from the Agency's next request for reimbursement for the 2007 FESG grant.