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Missouri State Auditor

City of St. Louis
Department of Human
Services

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Office of the
Missouri State Auditor
Susan Montee, JD, CPA

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The following findings were included in our audit report on the City of St. Louis, Department of Human Services.

The Department of Human Services (DHS) is responsible for administering over \$15 million annually in various federal and state grants related to aging, homeless, utility assistance, jail diversion, and veterans programs. DHS procedures for awarding and monitoring funds for some of the grants need improvement. The DHS does not routinely advertise for proposals for subgrantees of the Homeless Veterans Reintegration Project, Utility Assistance Program, Federal and Missouri Emergency Shelter grants, or Homeless Challenge Program. The DHS does not sufficiently document reasons for the amount of funding awarded to some subgrantees for the St. Louis Area Agency on Aging (SLAAA). The DHS did not conduct annual fiscal monitoring reviews required by DHS policy for some subgrantees, and as a result, it appears the DHS did not detect misspent grant funds of \$23,134 on a timely basis. The DHS did not perform adequate follow up or take disciplinary action for serious deficiencies noted with two SLAAA subgrantees.

The DHS needs to improve procedures to ensure expenditures of grant funds meet the requirements for allowable costs, and to ensure approval of expenditures is adequately documented in accordance with city and department policy. Some unallowable costs were paid from two grants, including unbudgeted travel costs, utility bills for properties not included in the grant agreements, cellular phone bills, and collect calls by clients. In addition, proper approval of some travel and other expenditures was not always documented in accordance with city and DHS purchasing procedures.

The SLAAA did not retain some records in accordance with its program services contract with the Missouri Department of Health and Senior Services. The SLAAA does not currently have an advisory council as required by the Older American's Act and Missouri Code of State Regulations.

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YELLOW SHEET

CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Director of the Department of Human Services
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2008. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Department of Human Services. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the department has adequate internal controls over significant management and financial functions.
3. Determine if the department has complied with certain legal and grant provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on

compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Department of Human Services.

Additional audits of various officials and departments of the City of St. Louis fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES
MANAGEMENT ADVISORY REPORT –
STATE AUDITOR'S FINDINGS

1.	Grant Administration
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The Department of Human Services' (DHS) procedures for awarding and monitoring funds for some grants need improvement. The DHS is responsible for administering over \$15 million annually in various federal and state grants related to aging, homeless, utility assistance, jail diversion, and veterans programs. The DHS administers these funds by subgranting monies to various organizations throughout the city who provide direct services to clients.

- A. The DHS does not routinely advertise for proposals for subgrantees of the Homeless Veterans Reintegration Project (HVRP), Utility Assistance Program, Federal and Missouri Emergency Shelter grants (FESG and MESHG), or Homeless Challenge Program. While the DHS has policies and procedures to advertise for proposals, only one subgrantee has been consistently used for each of the HVRP and Utility Assistance Program, and sole source justification was not documented for these subgrantees. For the FESG, MESHG and Homeless Challenge Program, the DHS renewed the subgrantees' contracts annually since 2005 without soliciting proposals from other vendors.

Requests for proposals or other competitive processes help ensure all interested parties are given the opportunity to participate in city business and the city receives the best services for each grant. The DHS should request proposals from subgrantees periodically to ensure subgrantees with the best ability to provide services to clients are chosen. If sole source procurement is considered necessary, the DHS should document the applicable circumstances.

- B. The DHS does not sufficiently document reasons for the amount of funding awarded to some subgrantees for the St. Louis Area Agency on Aging (SLAAA). Requests for proposals (RFP) are solicited for SLAAA subgrantee funding and a selection committee is formed as required by City of St. Louis Ordinance 64102; however, minutes of committee meetings are not maintained as required by the ordinance. Although the SLAAA utilized a formal evaluation criteria in the form of a scoring system, reasons for funding decisions were not always documented. In addition, documentation was not maintained for funding reductions for subgrantees that did not fully utilize funding awarded in a prior year. It appears funding decisions are made primarily at the discretion of the SLAAA Program Manager and staff, while the RFP committee's purpose is to provide oversight and approval authority.

Due to the complex nature of SLAAA funding sources and services and the subjective criteria used to make funding decisions, the funding awards should be well documented with proper justification given for decisions made.

C. The DHS did not conduct annual fiscal monitoring reviews required by DHS policy for some subgrantees, and as a result, it appears the DHS did not detect some misspent grant funds on a timely basis. Additionally, required program monitoring was not completed for one SLAAA subgrantee. We noted the following monitoring concerns:

- The subgrantee of the HVRP notified the DHS in August 2008 of potential misspending of grant funds. The DHS performed monitoring reviews and found ineligible costs charged to the grant due to lack of supporting documentation. As a result, the DHS disallowed \$23,134 in costs charged to the grant in 2008. DHS officials stated that monitoring visits were conducted in prior years but were informal and not documented. It appears the required monitoring reviews could have detected the misspent funds in a more timely manner.
- Our review of six subgrantees of the Supportive Housing Program (SHP) and FESG grants noted the DHS did not conduct required annual monitoring reviews for these subgrantees. DHS officials stated that while they made frequent contact with the subgrantees, staffing shortages contributed to the lack of formal monitoring procedures.
- In addition to lack of annual monitoring reviews, the subgrantee for the Utility Assistance Program did not submit supporting documentation for payments made to utility companies. The lack of documentation and routine monitoring prevents the DHS from ensuring client eligibility is determined correctly.
- The DHS did not perform some required monitoring of one subgrantee for the SLAAA. DHS officials stated this agency denied the DHS access to certain records which prevented them from performing some required program monitoring reviews.

Without periodic program and fiscal monitoring, the DHS has less assurance that subgrantees are complying with grant requirements and spending funds appropriately.

D. The DHS did not perform adequate follow up or take disciplinary action for serious deficiencies noted with two SLAAA subgrantees. Deficiencies were noted during fiscal and program monitoring, and it appears the SLAAA made at least one follow up visit to each of these agencies; however, some findings were not resolved in a timely manner and no action was taken for failure to comply with the grant agreements. The problems included lack of documentation to support services billed, inadequate cash reserves, and missing or incomplete

personnel files. The noncompliance was also noted in the fiscal year 2008 monitoring review of the SLAAA by the Missouri Department of Health and Senior Services (MDHSS).

To ensure monies are spent appropriately and subgrantees comply with grant requirements, the DHS should follow up and resolve in a timely manner serious deficiencies identified during monitoring reviews. In addition, appropriate action should be taken if an agency refuses to resolve the deficiencies, including withholding reimbursements or canceling contracts.

WE RECOMMEND the Department of Human Services:

- A. Periodically solicit proposals for all subgrantee awards and document reasons for sole source procurement situations.
- B. Maintain written documentation of decisions made for the amount of funding awarded to SLAAA subgrantees.
- C. Ensure all subgrantees are subject to annual fiscal and program monitoring as required by department policy.
- D. Promptly follow up on all monitoring findings and consider taking disciplinary action when serious deficiencies are not corrected in a timely manner.

AUDITEE'S RESPONSE

The Department of Human Services provided the following written response:

- A. *The DHS Veterans Services Program will solicit proposals for future HVRP program operations (subcontractors) if awarded funds under a new DOL solicitation. In prior years when submitting competitive applications for funding from DOL - HVRP funds, DHS has pre-identified the subcontractor based upon the language in the Federal Register. It was presumed that funding had been awarded to DHS for HVRP services, based upon the project design and operating structure that DHS had described in our application for funding.*

The DHS Utility Assistance Program subcontractors will be secured via Request for Proposals effective fall 2009.

DHS conducted a Request for Proposal (RFP) for FESG in November 2004 for 2005 funding which can be provided. MESG and HCP are funded by the State on a 3-year cycle. DHS will, from this point on, conduct an RFP every 3 years for FESG, MESG, and HCP.

- B. *DHS will, from this point on, more completely document the reasons for funding subgrantees. Funding limitations and the need for 'maintenance of effort' with many of*

the services limit what increases can be awarded to a subgrantee for simply having a higher evaluation score. Most service awards are based on utilization of services and current client maintenance and not on how well the bidder completes the bid packet. The RFP committee has always and will continue to make all decisions that are necessary in the funding process.

DHS will, from this point on, more completely document and maintain the reasons for reducing funding to those subgrantees who do not fully utilize funding awarded in a prior year.

C. *Bullet 1:*

Monitoring of the HVRP subcontractors records had been performed by both DHS and the DOL VET representative in early 2008, however the irregularities in record keeping occurred at the subcontractor level after that monitoring was performed. DHS will perform quarterly programmatic reviews of subcontractors' files.

DHS has a written agreement with the Internal Audit Section of the Comptroller's Office to fiscally monitor all DHS Homeless subrecipients. In addition, DHS has on staff an auditor to fiscally monitor all DHS SLAAA subrecipients. This covers about 98% of all required DHS fiscal monitoring.

The DHS on staff auditor will, from this point on, perform HVRP and any other required miscellaneous fiscal monitoring to ensure that subgrantees are complying with the grant requirements. Payroll costs will be exceptioned accordingly.

Bullet 2:

DHS acknowledges this finding and will ensure that all Homeless subgrantees are subject to annual program monitoring as required by policy.

Bullet 3:

Annual programmatic and fiscal monitoring of the Utility Assistance subcontractor under the Equitable Relief for Utility Tax funds will be performed as recommended. Because the Affordable Housing Commission had already secured the services of the City's Internal Audit section to perform monitoring of both DHS and the DHS utility assistance subcontractor under the AFHC funding, it was assumed by DHS to be a duplication of effort. The utility assistance subcontractor will be required to submit supporting documentation of payments made to the utility companies in addition to other documentation already required. The subcontract will be amended to include the additional document requirement.

Bullet 4:

DHS acknowledges this finding and will ensure that all SLAAA subgrantees are subject to annual program monitoring as required by policy.

- D. *DHS acknowledges this finding and will promptly follow up on all monitoring findings and consider taking disciplinary action when serious deficiencies are not corrected in a timely manner.*

2. Expenditures

The DHS needs to improve procedures to ensure expenditures of grant funds meet the requirements for allowable costs, and to ensure approval of expenditures is adequately documented in accordance with city and department policy.

- A. Our review of reimbursement payments to subgrantees noted some unallowable costs paid from the HVRP and SHP grants. Unallowable costs included unbudgeted travel costs, utility bills for properties not included in the grant agreements with the DHS, cellular phone bills, and collect calls by clients.

While DHS policy and grant agreements require DHS employees to review supporting documentation to ensure costs are allowable, the above costs were not identified during those reviews. Two employees review the allowability of costs for the HVRP grant and two others review costs for the SHP grant. DHS officials indicated that budget adjustments were made to approve additional travel for the HVRP grant; however, those adjustments were not documented nor was the approval of additional travel. In addition, the grant agreements require all travel be budgeted.

For the SHP and other homeless services grants, there appears to be miscommunication as to who is responsible for reviewing the documentation in detail. When asked, each individual responded that the other was responsible for a detailed review of allowable costs. In addition, most homeless services subgrantees submit bills that exceed the amount available for reimbursement. When this occurs, the maximum available is paid, and it appears a detailed review of the bills is not conducted. A detailed review should be conducted to ensure the allowable costs submitted equal or exceed the maximum reimbursement available.

Sound business practices and grant requirements dictate expenditures charged to grant funds should be adequately monitored for allowability. The DHS should review its procedures for approval of grant-funded expenditures to ensure only allowable costs are paid from grant funds.

- B. Our review noted proper approval of expenditures was not always documented in accordance with city and DHS purchasing procedures. Examples of inadequate approval documentation include some travel expenses and the purchase of a computer. In addition, the DHS paid some bills for the city Department of Health (DOH) as part of an inter-departmental agreement; however, there was no documentation the DOH approved the invoices prior to payment. Finally, one expenditure did not include an approved DHS equipment purchase form.

DHS personnel indicated their department purchasing manuals and forms included out-of-date information, and as a result, the required forms are not always used. This may have contributed to the lack of proper approval on some expenditures.

To ensure expenditures are allowable, prudent, and comply with city and DHS policies, the DHS should ensure all expenditures are approved and documentation of the approval is retained.

WE RECOMMEND the Department of Human Services:

- A. Implement procedures to ensure only allowable costs are paid with grant funds.
- B. Ensure expenditures are approved in accordance with city and department policy and retain documentation of the approval. In addition, the department should update its purchasing manuals and forms to reflect current policies and procedures.

AUDITEE'S RESPONSE

The Department of Human Services provided the following written response:

- A. *While procedures already exist for reviewing supporting documentation for grant reimbursements in order to ensure allowability of costs, DHS agrees that more detailed review techniques should be utilized by DHS staff. DHS will review the current policies and procedures regarding approval of allowable expenditures for subgrantees. Additionally, staff conducting the reviews will receive training. Specifically for SHP and HVRP, billings from subrecipient agencies should be scrutinized more carefully by the Homeless and Veterans program staff and by the accountant for each program to ensure that only allowable costs are incurred with grant funds.*
- B. *While procedures already exist for ensuring that approval of expenditures is adequately documented in accordance with city and department policy, DHS agrees that proper approval for a very small number of expenditures was not adequately documented. From this point on, DHS will be more diligent in its effort to ensure that expenditures are approved in accordance with city and department policy and that documentation of the approval is retained.*

In addition, DHS will endeavor to update its purchasing manuals and forms to reflect current policies and procedures.

3. St. Louis Area Agency on Aging (SLAAA) Compliance Issues
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The SLAAA has not complied with some regulations and grant stipulations. The SLAAA is responsible for administering federal Older Americans Act funding and

supplemental grants to provide needed services to the elderly, including, but not limited to meals, transportation, case management, homemaker services, and minor home repair. The amount of funds allocated to the various programs is contained within the area plan and approved by the MDHSS on an annual basis.

- A. The SLAAA did not retain some records in accordance with its program services contract with the MDHSS. The MDHSS provides funding for the various programs administered by the SLAAA. Per the contract, the SLAAA is required to retain all books, records, and other documents relevant to the contract for a period of 3 years after the final payment is received by the SLAAA or the completion of an audit, whichever is later. We attempted to review a bid submission for subgrantee awards from fiscal year 2007, but the SLAAA had destroyed the records due to limited storage space. While scoring forms were retained, there is little or no support for the scoring of bids submitted from the various vendors or funding decisions made by the SLAAA.

To ensure compliance with the grant agreement and to adequately document the reasons for awarding grant funds to the various subgrantees, the SLAAA should retain all applicable records for the required time period.

- B. The SLAAA does not currently have an advisory council as required by the Older American's Act and the Missouri Code of State Regulations (CSR) 15-4.110. State regulations require each area agency on aging establish an advisory council to advise on developing and administering the area plan; conducting public hearings; representing the interests of the elderly; and reviewing and commenting on policies, programs, and actions affecting the elderly. The advisory council is required to meet quarterly.

According to SLAAA officials, the council has not met for several years due to deaths of former members, and the SLAAA employee position responsible for coordinating the meetings is vacant. This issue was also noted in the most recent audit of the city's federal programs (A-133 audit). To ensure there is additional oversight and guidance available regarding issues affecting the elderly and to ensure compliance with applicable requirements, the SLAAA should reinstate the advisory council.

WE RECOMMEND the Department of Human Services and the St. Louis Area Agency on Aging:

- A. Retain records in accordance with the grant agreement with the MDHSS.
- B. Re-establish an advisory council to comply with applicable federal and state regulations.

AUDITEE'S RESPONSE

The Department of Human Services provided the following written response:

- A. *The records in question were the bid submissions from January of 2006 for subgrantee awards for fiscal year 2007. These documents had been subject to MDHSS monitoring and audit for over 3 consecutive years. Due to the impending move of DHS to a new building and the receipt of new bid submissions for the FY 2010 contract year, the documents were mistakenly destroyed. From this point on, SLAAA will retain records in accordance with the grant agreement with MDHSS.*

- B. *SLAAA will re-establish an advisory council to comply with the Older Americans Act and the Code of State Regulations.*

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES
HISTORY AND ORGANIZATION

The City of St. Louis Department of Human Services' (DHS) major goals are to enhance the quality of life of citizens through the provision of social service programs to the aged, homeless, veterans, disabled, youth, and families in need, and to promote city living and neighborhood stabilization through the preservation of affordable and accessible housing and support services that enhance the quality of life for those in need. This is done with the administration of federal, state, and city programs by various divisions. The department operates under the direction of the Director, William Siedhoff. The department employs 43 individuals in the following six divisions:

1. Program Management

Program Management provides administrative support and guidance to all other DHS divisions. Program Management engages in legislative and budgetary advocacy to increase available resources for services and issues facing all clients served by the DHS. In addition, Program Management works to increase coordination and collaboration with the city and community organizations in planning and program development processes related to a wide array of social issues. Program Management also administers programs not administered by the other divisions, including the Utility Assistance Program and Substance Abuse and Mental Health Services Administration Jail Diversion grant.

2. Aging Services (St. Louis Area Agency on Aging)

The St. Louis Area Agency on Aging (SLAAA) provides a comprehensive and coordinated system of community-based services for older adults in the City of St. Louis. The SLAAA administers programs largely through contracts with local service providers delivering services at the neighborhood level. SLAAA programs and services include meal programs at senior centers, transportation, information and referral, health promotion, employment training, legal assistance, housing assistance, home-delivered meals, personal care and homemaker services, and respite care. The SLAAA also provides ombudsman services for complaint resolution regarding long-term care facilities.

3. Homeless Services

The Homeless Services Division provides a comprehensive response to the different needs of homeless or at-risk individuals and families in the City of St. Louis. Homeless Services contracts with social services agencies to provide outreach and assessment efforts to identify an individual's or family's needs and make connections to facilities and services, immediate shelter as a safe alternative to the streets, transitional housing, and/or permanent housing or permanent housing arrangements.

4. Veterans' Affairs

The Veterans' Affairs Division acts as an advocate to those veterans within the City of St. Louis who are at risk because of poverty and poor living conditions. In addition, this division seeks public and private grant resources for direct assistance to veterans and their families in employment and supportive services. Veterans' Affairs administers employment programs sponsored by the U.S. Department of Labor, Veterans Employment and Training Service.

5. Youth and Family Services

The Youth and Family Services Division administers and participates in the planning of a broad range of programs which are intended to improve and enhance the quality of life of at-risk children and families in the City of St. Louis. Programs include the summer food service program, the child and adult care food program, the M.I.N.E. (mentoring, instruction, nutrition, and esteem) program, after school initiatives, and the early childhood success initiative.

6. Office on the Disabled

The Office on the Disabled serves as the city's Americans with Disabilities Act (ADA) coordinating agency, providing information on the ADA, reasonable accommodations for applicants and employees, and ADA training. The office provides reserved residential parking spaces for city residents with disabilities, issues permits exempting persons with disabilities unable to activate parking meters in the city, offers interpreters for hearing impaired individuals dealing with city offices, and works with the city's Building Division for occupancy permit approvals based on ADA compliance.