



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

Carnahan Courthouse Building
1114 Market St., Room 642
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

DR. KENNETH M. STONE, CPA
Internal Audit Executive

FILE COPY

April 5, 2012

Deb Little, Executive Director
Municipal Information Systems, Inc.
1445 South 18th Street Loft #132
St. Louis, MO 63104

RE: Federal Emergency Shelter Grant (FESG) and Homelessness Prevention and Rapid Re-Housing Program (HPRP) (Project #2012-HOM07)

Dear Ms. Little:

Enclosed is the report of the fiscal monitoring review of Municipal Information Systems, Inc., a not-for-profit organization, FESG and HPRP program, for the period January 1, 2011 through December 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 Municipal Information Systems, Inc. Fieldwork was completed on January 27, 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)
HOMELESSNESS PREVENTION AND RAPID RE-HOUSING
PROGRAM (HPRP)
FEDERAL EMERGENCY SHELTER GRANT (FESG)**

**MUNICIPAL INFORMATION SYSTEMS, INC.
CONTRACTS #62401 AND #60780
CFDA #14.231 AND #14.257**

FISCAL MONITORING REVIEW

JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

PROJECT #2012-HOM07

DATE ISSUED: APRIL 5, 2012

**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
FEDERAL EMERGENCY SHELTER GRANT (FESG)
HOMELESSNESS PREVENTION AND RAPID RE-HOUSING
PROGRAM (HPRP)
MUNICIPAL INFORMATION SYSTEM, INC (MISI)
FISCAL MONITORING REVIEW
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011**

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INTRODUCTION

Background

Contract Name: Municipal Information Systems, Inc. (MISI)

Contract Numbers: 62401 (FESG)
60780 (HPRP)

CFDA Numbers: 14.231 (FESG)
14.257 (HPRP)

Contract Period: January 1, 2011 through December 30, 2011 (FESG)
October 1, 2009 through July 28, 2012 (HPRP)

Contract Amounts: \$71,000 (FESG)
\$120,000 (HPRP)

The Federal Emergency Shelter Grant (FESG) contract provides input client information using the Regional Online Service Information Exchange (ROSIE).

The Homelessness Prevention and Rapid Re-Housing Program (HPRP) contract provides professional data management services to meet the needs of non-profit service providers in the states of Missouri, Baltimore, Maryland, and parts of Illinois.

Purpose

The purpose of the review was to determine MISI's compliance with federal, state, and local Department of Human Services (DHS) requirements for the period January 1, 2011 through December 31, 2011, and make recommendations for improvements, as considered necessary.

Scope and Methodology

Inquiries were made regarding the MISI'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 January 27, 2012.

Exit Conference

An exit conference was conducted at the MISI on March 16, 2012. The Agency was represented by the Agency's Executive Director and Board Member. The Internal Audit Section (IAS) was represented by the Auditor-In-Charge.

Management's Response

Management's response to the observation and recommendation noted in the report was received on March 21, 2012, and has been incorporated into the report.

SUMMARY OF OBSERVATIONS

Conclusion

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

Status of Prior Observations

MISI's previous fiscal monitoring report, Project #2011-HOM04, issued March 10, 2011 contained no observations.

A-133 Status

According to a letter received from MISI, dated January 27, 2012, MISI did not expend \$500,000 or more in federal funds in its fiscal year ended June 30, 2011, and was not required to have an A-133 single audit report.

Summary of Current Observations

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

- Non-compliance with contract requirements, questioned cost \$178,653

DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

Non-Compliance With Contract Requirements, Questioned Cost \$178,653

MISI did not receive prior written consent from DHS for subcontracting with Pathway Community Network for professional data management services. The services provided under the contract were for meeting the professional electronic data management needs of the not-for-profit organizations administering FESG and HPRP. MISI paid Pathway Community Network \$178,653 from the FESG and HPRP funds for these services.

FESG and HPRP contracts state that the contractor may not subcontract all or any part of the contract without prior written consent from the City.

MISI did not have a system of internal control in place to ensure compliance with the subcontracting requirements of the FESG and HPRP contracts.

MISI may be held in default for any use of grant funds for a purpose other than as authorized by the applicable Federal, State, and local regulations.

Recommendation

It is recommended that MISI repay DHS \$178,653 for the un-authorized payments to the subcontractor. In addition, it is recommended that MISI implement a system of controls in place to ensure compliance with all requirements of the FESG and HPRP contracts.

Management's Response

This letter is in response to your Fiscal Monitoring report dated March 16, 2012. Municipal Information Systems, Inc. (MISI) disagrees strongly with the findings outlined in your monitoring report and believes the assertion that MISI has entered into a subcontracting agreement with Pathways Community Network Institute to be incorrect.

MISI is a 38 year old non-profit organization. The agency operates under the direction of its Board of Directors. The agency also has a management agreement with another non-profit for management services. This agreement does not constitute a subcontracting relationship for the following reasons:

- 1. The Management agreement states Pathways will provide MISI with staffing services. This means Pathways performs Human Resources functions on MISI's behalf. MISI leases staff from Pathways. These individuals are MISI employees they are not subcontractors. According to CFR 3.401, "Bona fide employee means a person, employed by a contractor and subject to the contractor's supervision and control as to time, place, and manner of performance." In the case of MISI staff, they all fit within this definition. In addition, Pathways is reimbursed 100% for all salaries and payroll taxes paid for MISI staff. MISI controls all benefits given to staff such as paid vacation and sick days. MISI pays health insurance benefits directly and reimburses staff for all business expenses.*

According to the IRS, if a company pays the expenses and benefits for an individual, the individual is not a contractor.

- 2. The management agreement between MISI and Pathways states Pathways will provide Management Services which will include; Staffing Services, Financial Services, Vendor Procurement and Management, Marketing Services. None of these activities are covered under the contract between the City of St. Louis and MISI, therefore the fact that MISI has elected to have Pathways provide such services is not relevant to either of our current contracts with the City of St. Louis.*
- 3. The management agreement further states Pathways will provide Technical Services which will include Administrative and Maintenance of Systems and Software and Systems Development. It is inaccurate to assume that Software and Systems Development refers to the City of St. Louis HMIS implementation. MISI provides software systems and technical support to 15 different communities. To date, John Stephenson, MISI's Board President, has been responsible for all software and systems development done for the City of St. Louis HMIS. Pathways employees have had no involvement with software development. This is consistent with the terms of the current contract with the City of St. Louis.*

In conclusion, MISI feels strongly that the intent of its Management Agreement with Pathways has been misconstrued by the Auditor-In-Charge. MISI has a contract with the City of St. Louis to provide Database Management Services, Training and Technical Support. The contract does not govern how MISI chooses to staff its operations. The contract only precludes MISI from hiring subcontractors. Leased personnel who are hired by MISI, who work from the MISI office, are required to follow MISI policies and procedures and who have all their benefits and expenses paid by MISI are MISI employees, not subcontractors.

Going forward, it is MISI's goal to continue its long and productive relationship with the City of St. Louis. We would like to resolve the question of subcontracting to the satisfaction of all parties involved. We would hope the Comptroller's Office would reconsider its finding given the facts presented in this response.

If the audit finding is upheld, MISI would respectfully request the City Department of Human Services provide the permission specified in the contract to continue its relationship with Pathways Community Network Institute. We are more than willing to provide City DHS with any information necessary about the organization in order to enable them to provide the required permission.

Auditor's Comment

Any contract or management agreement between MISI and any entity needs to have the prior written consent of the City.