



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

1520 Market St., Suite 3005  
St. Louis, Missouri 63103-2630  
(314) 657-3490  
Fax: (314) 552-7670

DR. KENNETH M. STONE, CPA  
Internal Audit Executive

December 21, 2012

FILE COPY

Kelly Wamhoff  
Carondelet Community Betterment Federation, Inc.  
6408 Michigan  
St. Louis, MO 63111

RE: Carondelet Community Betterment Federation, Inc. (Project #2013-AHC04)

Dear Ms. Wamhoff:

Enclosed is a report of our fiscal monitoring review of Carondelet Community Betterment Federation, Inc., for the period May 1, 2011 through July 31, 2012. 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 Carondelet Community Betterment Federation, Inc. Fieldwork was completed on November 6, 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 Affordable Housing Commission (AHC) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

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

Enclosure

cc: Angela M. Conley, Executive Director, Affordable Housing Commission



# CITY OF ST. LOUIS

**AFFORDABLE HOUSING COMMISSION (AHC)**

**CARONDELET COMMUNITY BETTERMENT FEDERATION, INC.**

**CONTRACTS #10-11G & #31-11G**

**FISCAL MONITORING REVIEW**

**MAY 1, 2011 THROUGH JULY 31, 2012**

**PROJECT #2013-AHC04**

**DATE ISSUED: DECEMBER 21, 2012**

**Prepared by:  
The Internal Audit Section**



**OFFICE OF THE COMPTROLLER**  
**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
AFFORDABLE HOUSING COMMISSION (AHC)  
CARONDELET COMMUNITY BETTERMENT FEDERATION, INC.  
FISCAL MONITORING REVIEW  
MAY 1, 2011 THROUGH JULY 31, 2012**

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## INTRODUCTION

### Background

**Contract Name:** Carondelet Community Betterment Federation, Inc.

**Contract Numbers:** 10-11G and 31-11G

**Contract Periods:** May 1, 2011 through July 31, 2012

**Contract Amounts:** \$20,000 and \$12,000

These contracts provide funds from the Affordable Housing Commission (AHC) to Carondelet Community Betterment Federation, Inc., (Agency) to assist low-income individuals with utility assistance and home repairs. Funds from contract 10-11G provide home repairs to individuals at or below 80% of the St. Louis area's median income. Funds from contract 31-11G provide utility assistance to individuals at or below 20% of the St. Louis area's median income.

### Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local AHC requirements for the period May 1, 2011 through July 31, 2012, 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 AHC. Evidence was tested supporting the reports the Agency submitted and other procedures were performed, as considered necessary.

### Exit Conference

The Agency was offered the opportunity for an exit conference on November 28, 2012, but the Agency declined.

### Management's Responses

On November 21, 2012, the Agency was provided with our observations and recommendations and a response was requested by December 7, 2012; however, as of the date of the report, the Agency has not responded.

## SUMMARY OF OBSERVATIONS

### Conclusion

The Agency did not fully comply with local AHC requirements.

### Status of Prior Observations

The Agency did not have any previous fiscal monitoring reviews.

### Summary of Current Observations

Recommendations were made for the following observations, which if implemented, could assist the Agency in fully complying with local AHC requirements.

1. Opportunity to document client eligibility (questioned cost \$11,055.69)
2. Opportunity to submit allowable expenditures for reimbursement (questioned cost \$3,106.78)
3. Opportunity to comply with Generally Accepted Accounting Principles (GAAP)
4. Opportunity to document all required subcontractor information

## DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

### 1. Opportunity To Document Client Eligibility (Questioned Cost \$11,055.69)

A 100% of clients served from the contracts were tested, and supporting documentation to determine whether clients were eligible under the terms of the contract was reviewed. Upon discussion with the Agency, it was revealed that the client's income was not documented. This resulted in a questioned cost of \$11,055.69.

Section 27 of contract 31-11G, requires AHC funds to be used for households earning 20% of the St. Louis median income or below. In addition, section 27 of contract 10-11G requires AHC funds to be used for households earning 80% of the St. Louis median income or below.

It was revealed that the employees responsible for the AHC contract left the Agency, resulting in a reorganization of staff responsibilities.

Without proper supporting documentation the Agency cannot provide assurance that only eligible clients are served and program objectives are met. This increases the risk that reported program expenses will not be fully allowable under the terms of the contract.

#### **Recommendation**

It is recommended that the Agency discuss the questioned cost of \$11,055.69 with AHC. In addition, it is recommended that the Agency train responsible staff on the client eligibility requirements, and provide supervisory reviews to ensure that the clients meet all eligibility requirements of the contracts.

#### ***Management's Response***

*On November 21, 2012, the Agency was provided with our observations and recommendations and a response was requested by December 7, 2012; however, as of the date of the report, the Agency has not responded.*

## **2. Opportunity To Submit Allowable Expenditures For Reimbursement (Questioned Cost \$3,016.78)**

A review of the clients served in contract 31-11G revealed that three of sixty-one clients do not live in the required zip codes. This resulted in a questioned cost of \$401.78. In addition, a review of the clients served in contract 10-11G revealed that two of the clients were not in the required Ward. This resulted in a questioned cost of \$2,615.00.

Exhibit A of the project overview in contract 31-11G, states that the contract is to provide funding for utility assistance to persons in need living within zip codes 63111 and 63116. In addition, Exhibit A of the project criteria for contract 10-11G, states that the funds are to assist St. Louis City homeowners who reside in the 11<sup>th</sup> Ward.

It was revealed that the Agency had responsible staff leave the Agency, resulting in a reorganization of staff responsibilities.

The Agency risks having to repay the funds not spent for the benefit of the households as required in the contract agreement.

### **Recommendations**

It is recommended that the Agency repay the questioned cost of \$3,016.78 to AHC. It is also recommended that the Agency implement control procedures, such as training of staff employees on allowable expenditures or a supervisory review, to ensure that all expenditures are allowable in accordance with the contracts.

### ***Management's Responses***

*On November 21, 2012, the Agency was provided with our observations and recommendations and a response was requested by December 7, 2012; however, as of the date of the report, the Agency has not responded.*

### **3. Opportunity To Comply With Generally Accepted Accounting Principles (GAAP)**

A review of the Agency's audited financial statements revealed that the financial statements are prepared using the modified cash basis of accounting. The modified cash basis of accounting is a basis of accounting other than Generally Accepted Accounting Principles (GAAP).

Section 9 of the contracts requires the Agency to establish an adequate accounting system on a current basis in accordance with Generally Accepted Accounting Principles (GAAP).

It appears the Agency was not aware of the contract requirements for maintaining an adequate accounting system.

The Agency could risk furnishing inadequate or unreliable information to AHC regarding their financial affairs and business operations.

#### **Recommendation**

It is recommended that the Agency maintain proper records and financial statements in conformance with Generally Accepted Accounting Principles (GAAP).

#### ***Management's Responses***

*On November 21, 2012, the Agency was provided with our observations and recommendations and a response was requested by December 7, 2012; however, as of the date of the report, the Agency has not responded.*

#### **4. Opportunity To Document All Required Subcontractor Information**

A review of the subcontractor documentation for contract 10-11G revealed that the Agency did not document each prospective contractor considered and the summary of bids received for each contractor.

Section 13 of the contracts requires the Agency to identify each prospective contractor considered and provide a summary of the bids or proposals received.

It was noted in the past AHC only required the Agency to turn in bids which the Agency chose for utilization.

Without proper supporting documentation the Agency cannot provide assurance that a competitive bidding process was completed. This also increases the risk that the subcontracts work or services being performed are not cost effective.

#### **Recommendation**

It is recommended that the Agency document all prospective contractors considered and document a summary of bids or proposals received.

#### ***Management's Responses***

*On November 21, 2012, the Agency was provided with our observations and recommendations and a response was requested by December 7, 2012; however, as of the date of the report, the Agency has not responded.*