



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA
Internal Audit Executive

September 7, 2012

FILE COPY

Linda Martinez, Managing Member
Amherst Condominium & Development, LLC
211 North Broadway, Suite 3600
St. Louis, MO 63102

RE: Amherst Condominium & Development, LLC (Project #2012-AHC05)

Dear Ms. Martinez:

Enclosed is a report of our fiscal monitoring review of Amherst Condominium & Development, LLC for the period September 15, 2010 through January 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 Amherst Condominium & Development, LLC. Fieldwork was completed on July 25, 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.

Sincerely,

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)

**AMHERST CONDOMINIUM & DEVELOPMENT, LLC
LOAN AGREEMENT #01-08L**

**FISCAL MONITORING REVIEW
SEPTEMBER 15, 2010 THROUGH JANUARY 31, 2012**

PROJECT #2012-AHC05

DATE ISSUED: SEPTEMBER 7, 2012

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
AFFORDABLE HOUSING COMMISSION (AHC)
AMHERST CONDOMINIUM & DEVELOPMENT, LLC.
FISCAL MONITORING REVIEW
SEPTEMBER 15, 2010 THROUGH JANUARY 31, 2012**

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INTRODUCTION

Background

Contract Name: Amherst Condominium & Development, LLC

Contract Number: 01-08L

Contract Period: Beginning September 15, 2010

Contract Amount: \$310,000

The loan agreement provides funds from Affordable Housing Commission (AHC) to Amherst Condominium & Development, LLC (Developer) to finance a portion of the construction of ten residential units located in the West End area of the City. The agreement allows for a forgivable developer subsidy of \$260,000, and ten repayable buyer subsidies of \$5,000 (\$50,000). If the homes are sold or refinanced within five years, the profits would be shared 50% by the original owner and AHC.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local AHC requirements for the period September 15, 2010 through January 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 supporting the reports the Agency submitted was tested and other procedures were performed, as considered necessary.

Exit Conference

An exit conference was conducted on August 23, 2012. The Agency was represented at the exit conference by the Managing Member of the development. The Internal Audit Section was represented by an Auditor I and Auditor II.

Management's Responses

Management's responses to the observations and recommendations identified in the draft report was received from the Agency on September 6, 2012. These responses have been incorporated into the report.

SUMMARY OF OBSERVATIONS

Conclusion

The Developer did not fully comply with local AHC requirements.

Status of Prior Observations

The Developer did not have any previous AHC fiscal monitoring reviews.

Summary of Current Observations

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

- Opportunity to document all requested reimbursements (Questioned Cost \$1,374.11)
- Opportunity to pay property taxes

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity To Document All Request Reimbursements (Questioned Cost \$1,374.11)

A review of expenditures was performed to ensure that costs reimbursed were allowable under the terms of the loan agreement. It was observed that payroll for one employee was submitted for reimbursement for the pay period of December 11, 2009; however no supporting documentation to ensure payment was provided. This resulted in questioned cost of \$364.

In addition, a review of the supporting documentation for the total reimbursed payroll, for request #1, resulted in a total of \$1,000 less than the requested reimbursed amount. This resulted in an addition questioned cost of \$1,000. There is also an amount totaling \$10.11 resulting from various miscalculations and unsupported documentation. This results in a total questioned cost to \$1,374.11.

Section 6.1 (c) of the loan agreement requires the disbursement request shall be accompanied by the appropriate lien waivers for goods and services paid. In addition, Section 1.12 (a) of the loan agreement requires the loan to be disbursed only for documented expenses.

It appears the Developer did not have controls in place to ensure that expenditures requested for reimbursement were supported and accurate under the terms of the loan.

The Developer risk delays in advances or a default of the loan if reimbursements are not properly supported with documentation.

Recommendations

It is recommended that the Developer provide proper supporting documentation for all expenditures requested for reimbursement, and perform a review to ensure that all expenditures are properly supported. It is also recommended that the Developer discuss the questioned cost of \$1,374.11 with AHC.

Management's Responses

Having been given the opportunity to review the requisition in question, it appears that the Amherst contractor certified to amount of expenses incurred, but had three additional errors in his bills that totaled \$1,374.11. As reflected in the documentation submitted to the AHC, I have provided several hundred thousands of dollars of equity to this project. I would ask that the AHC consider allowing Amherst to submit documentations for alternate expenditures for that amount and ask that the reimbursement in question be re-allocated to those other expenditures.

2. Opportunity To Pay Property Taxes

A review of tax assessment records from the collector of revenue was performed to ensure that the Developer paid all property taxes for the property being developed as required by law. It was observed that four of the properties had unpaid property tax for 2011 totaling \$586.92, as of July 2012.

Section 9.11 of the loan agreement states that the developer shall pay when due any and all charges for taxes and assessments and any other impositions levied upon the project. In addition, all 2011 property tax was due by December 31, 2011.

It appears the Developer did not have controls in place to ensure that all taxes are being properly paid. The developer is at risk of paying addition fees or penalties when property taxes are not paid timely. In addition, the Developer risks noncompliance with the loan agreement.

Recommendations

It is recommended that the Developer make arrangements to pay the taxes in arrears. In addition, the developer should develop controls or procedures to ensure the timely payment of all taxes.

Management's Responses

Since the receipt of the draft findings, I went back to my records and identified that I worked with the Assessor's office at the end of the last calendar year in connection with the tax abatement for the property. The Assessor's office needed to process the tax abatement and then apply the check I gave them prior to the end of the year to the taxes as modified for tax abatement. It appears that the modification was processed, but the check I delivered was never applied to the taxes. Since being notified about the taxes not being paid, I have paid all of the taxes in question.