



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

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Internal Audit Executive

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FILE COPY

December 16, 2010

Travis Winston, Comptroller
Better Family Life, Inc.
5535 Delmar
St. Louis, MO 63112

RE: Community Development Block Grant (CDBG) (Project #2011-CDA01)

Dear Mr. Winston:

Enclosed is a report of our fiscal monitoring review of Better Family Life, Inc., a not-for-profit organization, CDBG Program, for the period January 1, 2010 through July 31, 2010. 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 Better Family Life, Inc. Fieldwork was completed on October 1, 2010.

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 Community Development Administration (CDA) to provide fiscal monitoring to all grant sub recipients.

If you have any questions, please contact the Internal Audit Section at 314-622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**BETTER FAMILY LIFE, INC.
CONTRACT #10-31-72, #10-11-95, & #CDBGR-18
CFDA #14.218**

FISCAL MONITORING REVIEW

JANUARY 1, 2010 THROUGH JULY 31, 2010

PROJECT #2011-CDA01

DATE ISSUED: DECEMBER 16, 2010

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
BETTER FAMILY LIFE, INC.
FISCAL MONITORING REVIEW
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INTRODUCTION

Background

Contract Name: Better Family Life, Inc (Agency)

Contract Numbers: 10-31-72
10-11-95
CDBGR-18

CFDA Number: 14.218

Contract Periods: June 1, 2010 through September 30, 2010 (#10-11-95)
January 1, 2010 through December 30, 2010 (#10-31-72)
January 1, 2010 through September 30, 2012 (#CDBGR-18)

Contract Amounts: \$20,000 (#10-11-95)
\$118,722 (#10-31-72)
\$796,000 (#CDBGR-18)

Contract #10-31-72 provided funds to the Agency to provide services such as attracting residential and commercial developers while simultaneously being a mechanism for bringing critical social and recreational service to the residents of the 26th ward. The Agency also helps homeowners with utility assistance, home repair and predatory mortgage counseling and prevention within the West End Neighborhood.

Contract #10-11-95 provided funds to the Agency's Urban Rhythms Summer Program for the special summer recreation program. This program consists of, but is not limited to, African American Studies, Martial Arts, dance, drama, sports, art, crafts, swimming and field trips.

Contract #CDBGR-18 provided funds to the Agency's Cultural, Educational, and Business Center for the purpose of building an institution of international significance that expresses the cultures of peoples of Africa; provides diverse and creative educational programs, and creates an environment that allows for a variety of business opportunities and individual skill enhancement.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local Community Development Organization (CDA) requirements for the period January 1, 2010 through July 31, 2010, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on October 1, 2010.

Exit Conference

An exit conference was conducted at IAS' office on October 14, 2010. The Agency was represented at the exit conference by Malik Ahmed, CEO; Darryl Commings, Director of Finance; Travis Winston, Comptroller. The Internal Audit Section was represented by Dr. Kenneth Stone, CPA, Internal Audit Executive; Jeremy Holtzman, Auditor II; Chance Key, MBA, Auditor-in-charge.

Management's Responses

Management's responses to the observations and recommendations noted in the report were received on November 8, 2010. These responses have been incorporated into the report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state, and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2009-CDA47, issued May 21, 2009 contained two (2) observations:

1. Opportunity to improve internal controls over Daily Sign-In Sheets for in-school program (**Resolved**)
2. Opportunity to improve internal controls over nepotism (**Resolved**)

A-133 Status

The Agency expended \$500,000 or more in federal funds for the year ended December 31, 2009 and was required to have a single audit in accordance with OMB Circular A-133.

The report was dated June 20, 2010 and rendered an unqualified opinion on both the general purpose financial statements and major federal awards. There were no material weaknesses identified on the general purpose financial statements; however, there was a significant deficiency identified. There were no material weaknesses or significant deficiencies identified on the major federal awards. There were no findings required to be reported in accordance with OMB Circular A-133.

The Agency did not qualify as a low-risk auditee.

Summary of Current Observations

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

1. Opportunity to improve internal controls over timely disbursement of federal funds
2. Opportunity for two duly authorized signatures on disbursement checks

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

1. Opportunity To Improve Internal Controls Over Timely Disbursement Of Federal Funds

Contract #CDBGR-18 funds were used to renovate a multi-cultural center. The Agency received reimbursements from CDA for expenses incurred by the Agency on grant funded activities; however, the Agency did not disburse these funds within three working days of receiving them as follows:

<u>Date funds Reimbursed</u>	<u>Date Funds Disbursed</u>	<u>Days Between Funds' Receipt and Disbursement</u>
June 16, 2010	June 29, 2010	13
July 28, 2010	August 12,2010	16

Section 2.10 of the CDA Operating Procedures Manual requires an operating Agency to disburse the federal funds within three working days of receiving them. If the funds cannot be disbursed within the three working day period, then the funds must be returned immediately to the City's Comptroller's Office.

The Agency did not have an effective system of internal control to ensure its compliance with federal funds disbursement requirements of the CDA Operating Procedures manual.

Failure to return the unused grant funds after three days of receiving them may result in suspension or termination of the federal award.

Recommendation

It is recommended that the Agency establish a system of internal controls to ensure that the reimbursed federal funds must be disbursed within three working days of the receipt in compliance with CDA and federal disbursement requirements.

Management's Response

Better Family Life, Inc. (BFL) acknowledges the two incidents where vendor reimbursements were not made within the three day window upon receipt of funds. However, in the two instances noted BFL was either in process of moving its headquarters/finance officer or unpacking and settling in from the move. In both instances, the grant fund checks were sent to the former address (724 N. Union). It took us several days to retrieve the grant fund checks and then make reimbursement payments to the vendors.

1. Continued...

BFL strives to ensure that the three-day rule is honored in both spirit and action. BFL's normally functioning internal controls require that either funds are advanced (and reimbursement requested) or that disbursement of grant funds be made immediately upon receipt. The Finance Director monitors the period between receipt of funds and subsequent disbursement to ensure compliance with the tree-day rule.

2. Opportunity For Two Duly Authorized Signatures On Disbursement Checks

During the review of disbursements it was observed that 24 out of 60 grant funded disbursement checks had only one authorized signature.

Section 2.2 of the CDA Operating Agency Fiscal Procedures Manual requires that two duly authorized individuals sign all checks, time sheets, interim requests, and monthly financial reports. The Disbursements Section of the Better Family Life's Fiscal Policies and Procedures manual states "Disbursement checks shall be pre-numbered and signed by the chief executive officer and the financial officer or any two duly authorized officers.

The Agency does not have a system of internal control in place to ensure compliance with the check signing requirements of the CDA Operating Agency Fiscal Procedures Manual.

Non-compliance with dual signature requirement of the CDA Operating Agency Fiscal Procedures Manual may result in misuse or misappropriation of the federal funds. In addition, it may result in possible delay or suspension of the federal fuding.

Recommendation

It is recommended that the Agency comply with its Fiscal Policies and Procedures Manual and CDA's Operating Agency Fiscal Procedures Manual by having all of their federal grant disbursement checks signed by two (2) duly authorized officers.

Management's Response

In response to the IAS finding, BFL conducted its own investigation. BFL reviewed the detail bank statements for both primary operating accounts (General Account and Housing Account) for the period January 1, 2010 through September 30, 2010. Out of 960 checks (excluding flexible spending account reimbursements and automatic debits), BFL identified 4 instances of checks with only one signature, including the instances noted by IAS. It should also be noted that in all the instances of checks with one signature, the check was signed by either the Chief Executive Officer or the Chief Operating Officer.

Despite the relative rarity of this occurrence, BFL agrees that procedures should be strengthened to ensure compliance with the two signature policy. BFL has developed

procedures such as a pre-distribution checklist to ensure that checks are adequately reviewed prior to distribution.

Auditor's Comment

It should be noted that the flexible spending account reimbursement checks, which were reviewed by Internal Audit Section, were signed only by the director of finance and not the chief executive officer or the chief operating officer.