



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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July 11, 2011

Angela Morton Conley, Executive Director
Affordable Housing Commission
1015 Locust Street
St. Louis, MO 63101

RE: Cambridge Heights, LLC (Project #2011-AHC12)

Dear Ms. Conley:

Enclosed is a report of the fiscal monitoring review of Cambridge Heights for the period July 1, 2010 through May 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 Cambridge Heights. Fieldwork was completed on June 28, 2011.

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) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure



CITY OF ST. LOUIS

AFFORDABLE HOUSING COMMISSION (AHC)

**CAMBRIDGE HEIGHTS, LLC
LOAN AGREEMENT #05-09L**

**FISCAL MONITORING REVIEW
JULY 1, 2009 THROUGH MARCH 31, 2011**

PROJECT #2011-AHC12

DATE ISSUED: JULY 11, 2011

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
AFFORDABLE HOUSING COMMISSION (AHC)
CAMBRIDGE HEIGHTS, LLC
FISCAL MONITORING REVIEW
JULY 1, 2009 THROUGH MARCH 31, 2011**

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INTRODUCTION

Background

Contract Name: Cambridge Heights, LLC

Contract Number: 05-09L

Contract Period: Beginning May 5, 2009

Contract Amount: \$90,000

The loan agreement provided funds from Affordable Housing Commission (AHC) to Cambridge Heights, LLC (Developer) to finance a portion of the construction of sixteen residential units located in the Cambridge Heights area. The agreement allowed for forgivable subsidies of \$10,000 for each of the three units sold to qualified purchasers and \$60,000 for the Developer. If the homes were 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 Developer's compliance with federal, state, and local AHC requirements for the period July 1, 2010 through May 31, 2011, and make recommendations for improvements, as considered necessary.

Scope and Methodology

Inquiries were made regarding the Developer's internal controls relating to the loan administered by AHC. Evidence supporting the reports the Developer submitted was tested and other procedures were performed, as considered necessary.

SUMMARY OF OBSERVATIONS

Conclusion

The Developer did not fully comply with local AHC requirements.

Status of Prior Observations

The Internal Audit Section has not reviewed the Developer previously.

Summary of Current Observations

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

- Insufficient documentation to support developer's costs

DETAILED OBSERVATIONS AND RECOMMENDATIONS

Insufficient Documentation To Support Developer's Costs

Internal Audit Section's (IAS) review of the records for compliance with loan requirements revealed that AHC subsidies of \$17,000 were paid to Cambridge Heights, LLC (Developer) and \$10,000 were paid to one home buyer. No additional funds were disbursed. IAS noted that:

- The review of the Developer's Detailed Cost Breakdown report revealed sufficient documentation was not available to support the costs paid or incurred by the Developer. Without proper documentation, IAS was unable to determine whether the loan proceeds were used only for the purpose of paying costs associated with the project and were properly reflected in the accounting records.
- The buyer was paid January 14, 2010 and was eligible based on documents reviewed. Payment was properly made and documented. However, the *Homebuyer Subsidy Income Certification* form, dated November 6, 2010, was untimely prepared.

Sound accounting practices require that costs are adequately supported with payment vouchers, checks, and contractors' invoices and are properly documented in the book of records. In accordance with the disbursement procedures, section 6.1 (c) of the loan agreement, the Developer was required to submit to AHC and the Disbursing Agent invoices of work performed, labor and materials paid to subcontractors, materialmen or persons with the disbursement request. Section 9.1 and 9.4 also required that evidence of costs and financial records be provided to AHC with the disbursement request.

IAS learned the Developer and Commonwealth Title Company (original Disbursing Agent) were no longer associated with the project and the financial records and supporting documents were not made available to the new Disbursing Agent. The project does not have a current developer.

In accordance with section 10.1 (g) and (q) of the loan agreement, it appears the Developer has abandoned the project and there was a change of ownership. In such events of default, the risk exists that funds disbursed or committed could adversely affect AHC and the loan may be accelerated in accordance with section 10.2 of the agreement.

Recommendations

IAS recommends that AHC review the loan agreement to determine if the project is viable under the current loan agreement and make appropriate changes. It is also recommended the AHC ensure future documents are timely received and reviewed.