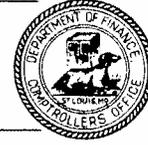




OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



FILE COPY

DARLENE GREEN  
Comptroller

DR. KENNETH M. STONE, CPA  
Internal Audit Executive

*Internal Audit Section*

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

June 28, 2011

Antoinette Cousins, Executive Director  
Riverview West Florissant Development Corporation  
6085 West Florissant Ave.  
St. Louis, MO 63136

RE: Community Development Block Grant (CDBG) and Home Investment Partnership (HOME) (Project #2011-CDA11)

Dear Mrs. Cousins:

Enclosed is a report of our fiscal monitoring review of the Riverview West Florissant Development Corporation, not-for-profit organization, CDBG and HOME Programs for the period January 1, 2010 through November 30, 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 Riverview West Florissant Development Corporation. Fieldwork was completed on March 16, 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 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 CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
HOME INVESTMENT PARTNERSHIP (HOME)**

**RIVERVIEW WEST FLORISSANT DEVELOPMENT CORPORATION  
CONTRACT(S): #10-31-55, #10-36-13, #10-36-55 AND #10-HM-36-55  
CFDA #14.218 AND #14.239**

**FISCAL MONITORING REVIEW**

**JANUARY 1, 2010 THROUGH NOVEMBER 30, 2010**

**PROJECT #2011-CDA11**

**DATE ISSUED: JUNE 28, 2011**

**Prepared By:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS**  
**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)**  
**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**  
**HOME INVESTMENT PARTNERSHIP (HOME)**  
**RIVERVIEW WEST FLORISSANT DEVELOPMENT CORPORATION**  
**FISCAL MONITORING REVIEW**  
**JANUARY 1, 2010 THROUGH NOVEMBER 30, 2010**

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## INTRODUCTION

### Background

**Contract Name:** Riverview West Florissant

**Contract Numbers:** 10-31-55, 10-36-13, 10-36-55, and 10-HM-36-55

**CFDA Numbers:** 14.218 (10-31-55, 10-36-13, and 10-36-55)  
14.239 (10-HM-36-55)

**Contract Periods:** January 1, 2010 through December 31, 2010

**Contract Amounts:** \$100,000 (10-31-55)  
\$75,000 (10-36-13)  
\$225,000 (10-36-55/10-HM-36-55)

These contracts provided Community Development Block Grant (CDBG) funds to Riverview West Florissant Development Corporation (Agency) to identify nuisance properties within the 2<sup>nd</sup>, 3<sup>rd</sup>, 21<sup>st</sup> and 27<sup>th</sup> wards and work with the property owners to eliminate nuisance conditions or behaviors (10-36-13); to undertake neighborhood improvements; housing, commercial and economic development activities needed to revitalize the neighborhood (10-31-55); to provide loan closing services for low and moderate income homeowners participating in the program (10-36-55/10-HM-36-55)

### Purpose

The purpose was to determine the Agency's compliance with federal, state, and local Community Development Organization (CDA) requirements for the period January 1, 2010 through November 30, 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 March 16, 2011.

### Exit Conference

An exit conference was conducted at the Agency on May 17, 2011. The Agency was represented at the exit conference by Antoinette Cousins, Executive Director; Emma Mills, Finance Manager. The Internal Audit Section was represented by Jeremy Holtzman, Auditor II; Chance Key, MBA, Auditor-In-Charge.

## **Management's Response**

Management's response to the observations and recommendations noted in the report was received on May 27, 2011, and has 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 #2010-CDA24, issued March 3, 2010 contained seven (7) observations:

1. Opportunity to submit monthly financial reports in a timely manner (**Resolved**)
2. Opportunity to address inadequate board oversight (**Resolved**)
3. Opportunity to improve internal controls over time reporting (**Resolved**)
4. Opportunity to approve mileage reports submitted for reimbursement (**Resolved**)
5. Opportunity to improve internal controls over paid time off (PTO) reporting (**Resolved**)
6. Opportunity to improve internal controls over fuel consumption and usage (**Resolved**)
7. Opportunity to file Missouri unemployment taxes timely (**Resolved**)

### A-133 Status

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

The report was dated June 20, 2010, and rendered unqualified opinions on the financial statements and the major federal awards. There were no material weaknesses identified on both reports; however, there were reportable conditions identified on both reports. There were no findings on the financial statements. There were two findings required to be reported in accordance with OMB Circular A-133. Both of these findings directly relate to the CDBG grant passed through the City of St. Louis.

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

The report was reviewed by IAS, and it was recommended that the report be accepted.

### 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 meet program objectives
2. Opportunity to improve asset management, questioned cost \$729.99
3. Opportunity to improve cash management, questioned costs \$1,686.45

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

### **1. Opportunity To Meet Program Objectives**

A review of the Agency's programmatic compliance monitoring reports disclosed that the Agency did not meet the grant program objectives as follows:

The programmatic compliance monitoring report checklist for contract #10-31-55, dated November 8, 2010, showed:

- Seven out of 16 objectives were zero percent completed.
- Two out of 16 objectives were 33 percent completed.
- Three out of 16 objectives were ongoing.

Contract #10-31-55 states "The Operating Agency shall complete at a minimum the stated objectives and criteria in a manner acceptable to CDA.

For contract #10-HM-36-55, the Agency was required to provide intake and loan closing assistance and construction management to 30 homeowners; however, according to the programmatic compliance monitoring checklist dated December 8, 2010, the Agency provided assistance to only eight homeowners or 27%.

Contract #10-36-55 required the Agency to close 50 grants; however, its programmatic compliance monitoring checklist dated December 8, 2010 disclosed that the Agency only closed 31 grants at the rate of 62%.

The Agency did not have a system of internal control in place to ensure compliance within the contract.

According to Contract #10-31-55, #10-36-55 and #10-HM-36-55 failure to satisfactorily perform its obligations under the work program as set forth in the Mission Statement and Objectives may result in the:

- Withholding of contract award
- Suspension of contract
- Withholding of reimbursement or payments
- Disqualification from eligibility to receive future CDBG funds

**1. Continued..**

**Recommendation**

It is recommended that the Agency comply with the contract and complete its objectives.

**Management's Response**

*Program objectives for contractors 10-31-55, 10-HM-36-55, and 10-36-55 were not completed due in part to funding being approved late from the city. This delayed programs such as Handyman, and Critical Repair from commencing in the beginning of the year. Critical repair (contract 10-36-55) was not approved until June 25, 2010. The program was not approved to begin until August 2010. Contract 10-31-55 was not executed until December 2010. Documents needed to report progress for contracts was not provided until late October 2010, at that time agency completed necessary reporting to bring current. Agency did however submit reports on 10-31-55 contract, which reflect all programs. Agency will however, work to address this matter with CDA to prevent any further findings.*

**2. Opportunity To Improve Asset Management, Questioned Cost \$729.99**

During the review of the Agency's grant funded fixed assets, the Internal Audit Section could not locate Toshiba A105 laptop computer selected from the Agency's internal inventory listing. Per Agency's inventory record, the cost of the computer was \$729.99. According to the Agency, the computer was transferred to the Union location of the Agency. The Agency, however, could not provide documentation of receiving approval from CDA for such a transfer as of the fieldwork completion date of March 16, 2011.

In addition, the Agency did not maintain adequate records of fixed assets. The following assets purchased with the CDA grant funds were not correctly identified with their serial numbers on the Agency's inventory listing:

#	Description	Date of Purchase	Cost
1	Dell Computer	1/29/09	\$932.89
2	Dell Inspiron 6409 Laptop Computer	12/20/06	\$1,000
3	Color Copy Machine 1RC28801	6/14/07	\$7,100
4	Copy Machine Attachment Saddle Finisher	6/14/07	\$1,600

According to section 4.1 of the CDA manual, an agency should maintain adequate records for equipment and real property purchased with federal funds. Such records

**2. Continued...**

should include contract number, description of the item, acquisition date, model/serial numbers, location, and condition.

Agency does not have adequate internal controls in place to appropriately track equipment and update its inventory listing. Lack of adequate internal control over the Agency's grant funded fixed assets may increase the risk of their loss, theft or misuse will go undetected.

**Recommendation**

It is recommended that the Agency:

1. Maintain adequate records for equipment and real property purchased with federal funds.
2. Obtain written permission from CDA before transferring any equipment.
3. Locate the transferred Toshiba laptop A-105 or reimburse CDA \$729.99 for the transferred computer.

***Management's Response***

*This equipment was transferred to CDA in October 2008. Agency has not had this item in its possession since October 2008.*

**Auditor's Comment**

The Agency did not produce a letter from CDA approving the transfer of this laptop computer.

**3. Opportunity To Improve Cash Management Procedures, Questioned Cost \$1,686.45**

On July 30, 2010, The Agency received CDBG funds totaling \$1,686.45 for the purchase of hardware supplies. The Agency, however, wrote three checks and disbursed the checks on the following dates:

<u>Date</u>	<u>Amount</u>
August 12, 2010	\$1,394.48
August 18, 2010	\$ 269.00
August 19, 2010	<u>\$ 22.97</u>
Total	<u>\$1,668.45</u>

Section 2.10 of the CDA Operating Procedures Manual requires an operating agency to disburse the federal funds within three working days of receiving the funds. If the

### 3. Continued...

funds cannot be disbursed within the three day period, the funds must be returned immediately to the Comptroller's Office.

The Agency did not have an effective system of internal control to ensure its compliance with the CDA Operating Manual's procedures.

Failure to comply with CDA's cash management policy may increase the risk for misappropriation of funds, and can result in the suspension or termination of the federal award.

#### **Recommendation**

It is recommended that the Agency reimburse CDA for the \$1,686.45 in questioned costs. It is also recommended that the Agency establish a system of internal controls to comply with the cash management policy.

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

*Since January 2010 agency has been delayed for more than three to four weeks delay in receiving payments from CDA in order to reimburse vendors. During the month of July 2010 agency had been attempting to catch up on payments to vendors from the delay of payments, thus causing the delay of these payments in a timely manner.*

*Agency will continue to work aggressively to prevent this matter from occurring in the future.*