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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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August 1, 2006

Shavette Wayne, Executive Director
Hamilton Heights Neighborhood Organization
5500 Natural Bridge
St. Louis, MO., 63120

RE: Fiscal Monitoring Report of Hamilton Heights Neighborhood Organization
(2006-CDA24)

Dear Ms. Wayne:

Enclosed is a report of our fiscal monitoring review of Hamilton Heights Neighborhood Organization (Contracts #04-31-48 and #05-31-48) for the period January 1, 2004 through December 31, 2005. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Hamilton Heights Neighborhood Organization. Our fieldwork was substantially complete on April 10, 2006.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and through an agreement with the Community Development Administration (CDA) to provide fiscal monitoring to all grant subrecipients. If you have any questions, please contact Charles Schroeder at (314) 589-6089.

Sincerely,

A handwritten signature in cursive script that reads "Sedrick D. Blake".

Sedrick D. Blake, CPA
Internal Audit Executive

Enclosure

cc: Honorable Darlene Green, Comptroller
John Rataj, Acting Director, CDA
Lorna Alexander, Fiscal Coordinator, CDA



CITY OF ST. LOUIS

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

**HAMILTON HEIGHTS NEIGHBORHOOD ORGANIZATION CBDO
CONTRACTS #04-31-48 AND #05-31-48**

FISCAL MONITORING REVIEW

JANUARY 1, 2004 THROUGH DECEMBER 31, 2005

PROJECT #2006-CDA24

DATE ISSUED: AUGUST 1, 2006

**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)
HAMILTON HEIGHTS NEIGHBORHOOD ORGANIZATION (CBDO)
CONTRACT #04-31-48 & #05-31-48
FISCAL MONITORING REVIEW
JANUARY 1, 2004 THROUGH DECEMBER 31, 2005

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INTRODUCTION

Background

Contract Name: Hamilton Heights Neighborhood Organization CBDO

Contract Number: 04-31-48 and 05-31-48

Contract Period: January 1, 2004 through December 31, 2004, revised termination date March 31, 2005 to allow for payment of costs incurred through December 31, 2004 (04-31-48) and January 1, 2005 through December 31, 2005 (05-31-48)

Contract Amount: Original amount \$90,000, revised to \$106,795 (04-31-48) and Original amount \$90,000 (05-31-48)

This contract provided Community Development Block Grant (CDBG) funds to Hamilton Heights Neighborhood Organization to operate a program to improve the conditions within the Wells-Goodfellow neighborhood by reclaiming vacant housing and initiating new construction.

Purpose

To determine the agency's compliance with federal, state and local Community Development Block Grant (CDBG) requirements for the period January 1, 2004 through December 31, 2005 and make recommendations for improvement.

Scope and Methodology

We made inquiries regarding the agency's internal controls relating to grants administered by the Community Development Administration, tested evidence supporting the reports the agency submitted to CDA and performed other procedures considered necessary. Our fieldwork was substantially completed on April 10, 2006. Management's responses were received on July 19, 2006, and have been incorporated into this report.

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CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

Hamilton Heights Neighborhood Organization did not fully comply with federal, state and local CDBG requirements.

Status of Prior Observations

The prior Fiscal Monitoring Report, dated June 15, 2004, identified two (2) observations:

1. Payroll reimbursement exceeded payroll costs. **[Resolved]**
2. Payroll checks not properly signed by two duly authorized officers. **[Resolved]**

A-133 Status

According to letters received from the Agency dated August 24, 2005, and February 7, 2006, the Agency was not required to have an A-133 audit report because it did not expend more than \$500,000 in federal funds in its year ended December 31, 2004 and 2005.

Summary of Current Observation

We made a recommendation for the following observation, which if implemented, could assist the agency in complying with federal, state and local CDBG requirements.

- ◆ Failure to Authorize Invoices for Reimbursement

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DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES

Failure to Authorize Invoices for Reimbursement

CDA guidelines require agencies to submit an accurate request for reimbursement, which includes copies of invoices for supplies and utilities submitted for reimbursement. We reviewed Interim Requests for Reimbursement for contracts #04-31-48 and #05-31-48. We noted, in our initial examination, the Agency requested reimbursement for three (3) invoices without authorization from the executive director. We proceeded to examine thirteen (13) more invoices and found this condition to be consistent with our first examination. This may result in a denial or delay in the reimbursement of expenses because of the lack of authorization.

Recommendation:

We recommend the Agency comply with CDA guidelines and authorize all invoices submitted for reimbursement.

Management's Response

...Hamilton Heights Neighborhood Organization, Inc. does not concur with the sited observation. The Fiscal Monitoring Review states that, "...invoices were not authorized when submitted for reimbursement or payment..." This is not true.

As a sub-recipient of CBDG funds for many years, we have always complied with the requirement that all interim requests are signed by the preparer and the authorized approver. Not only does the Executive Director review all invoices but approves all invoices submitted for payment by signing the approved line of each interim request. This issue has never come up that invoices needed any additional approval.

Since the fiscal monitoring review was conducted, and the invoice approval issue was announced, the Executive Director has started to initial all invoices for payment.

We feel that this finding is extremely vague in that this issue can be interpreted in many ways. ...

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Continued...

Auditor's Response

During our review, we noted that the Agency did have an adequate system for the approval of invoices for disbursement, if approvals were performed. What we did find is that there was a lack of "physical" evidence of management's approval of invoices. For example, there were no initials or signatures from management present on the invoices at the time of our review.

Since the Agency's Executive Director is now initialing all invoices, evidence of this internal control now exists. Therefore, we believe the observation has been resolved and no further action is required.