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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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August 20, 2008

Patricia Roland-Hamilton, President
Central West End Association
4902 Laclede, Suite A
St. Louis, MO 63108

RE: Review of Central West End Association, Community Development Block Grant
(CDBG), Contract #06-90-07, CFDA #14.218 (Project #2008-CDA29)

Dear Ms. Roland-Hamilton:

Enclosed is a report of our fiscal monitoring review of Central West End Association, CDBG, for the period January 1, 2006 through December 31, 2006. 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 Central West End Association. Our fieldwork was completed on February 14, 2008.

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 Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact me at (314) 622-4723.

Sincerely,

A handwritten signature in black ink, appearing to read "Mohammad H. Adil".

Mohammad H. Adil, CPA
Internal Audit Manager

Enclosure

cc: Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)

*CENTRAL WEST END ASSOCIATION
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
CONTRACT #06-90-07
CFDA #14.218*

*FISCAL MONITORING REVIEW
JANUARY 1, 2006 THROUGH DECEMBER 31, 2006*

PROJECT #2008-CDA29

DATE ISSUED: AUGUST 20, 2008

*Prepared by:
The Internal Audit Section*



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
CENTRAL WEST END ASSOCIATION
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
FISCAL MONITORING REVIEW
JANUARY 1, 2006 THROUGH DECEMBER 31, 2006**

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**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
CENTRAL WEST END ASSOCIATION
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
FISCAL MONITORING REVIEW
JANUARY 1, 2006 THROUGH DECEMBER 31, 2006**

INTRODUCTION

Background

Contract Name: Central West End Association
Contract Number: 06-90-07
CFDA Number: CFDA # 14.218
Contract Period: January 1, 2006 through December 31, 2006
Contract Amount: \$5,000

This contract provided Community Development Block Grant (CDBG) funds to Central West End Association (Agency), to do the research and documentation required to prepare and file an application to expand the boundaries of the Central West End Historic District. The Agency contracted with Landmarks Association of St. Louis Inc. to do the research and preparation of the northern expansion of the Central West End Local Historic District.

Purpose

The purpose of our review was to determine if the Agency complied with the OMB Circular A-133 compliance requirements and general provisions of its contract with the City of St. Louis Community Development Administration (CDA). We will make recommendations for improvement if considered necessary.

Scope and Methodology

We made inquiries regarding the Agency's internal controls relating to the grant administered by CDA, tested evidence supporting the reports the Agency submitted to CDA and performed other procedures considered necessary. Our fieldwork was completed on February 14, 2008.

Exit Conference

The Agency declined an exit conference.

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Management responses

Management's responses to the observations and recommendations noted in the report were received on May 27, 2008 and have been incorporated into the report.

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CONCLUSION AND SUMMARY OF CURRENT OBSERVATIONS

Conclusion

The Agency did not fully comply with the OMB Circular A-133 compliance requirements and general provisions of its contract with CDA.

Status of Prior Observations

This is the first contract the Agency has entered into with CDA and the first fiscal monitoring review, therefore, there are no prior observations.

A-133 Status

According to a letter received from Agency management dated May 29, 2007, Central West End Association was not required to have an A-133 audit for the period ending December 31, 2006 because it did not expend \$500,000 or more in Federal funds.

Summary of Current Observations

We made recommendations for the following observations, which if implemented, could assist the Agency in fully complying with OMB Circular A-133 compliance requirements and the general provision of its contract with CDA.

1. The Agency's checks did not have two duly authorized signatures.
2. The Agency did not have adequate fidelity bonding insurance.

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

1. The Agency's checks did not have two duly authorized signatures.

The Agency does not require two authorized signatures on checks.

Section 5.2 of CDA's Operating Agency Fiscal Procedures Manual states, "Disbursement checks shall be pre-numbered and signed by the Chief Executive Officer and Financial Officer or any two duly authorized officers.

Funds may be spent improperly or misappropriated when only one individual signs disbursement checks.

Recommendation

We recommend the Agency comply with CDA's contract requirements and have all its disbursement checks signed by two authorized officers.

A compensatory control may require that a Board member be the second signatory.

Management's response

As we are not currently a grant recipient (the report is from the 2006 calendar year), it is my understanding we do not need to address these recommendations. Certainly, should we become a grantee in the near future; we will address any recommendations set forth.

2. The Agency did not have adequate fidelity bonding insurance.

The Agency does not have adequate fidelity bonding insurance.

Section 2.6 of the CDA Operating Agency Fiscal Procedural Manual states, "Each CDBG sub recipient is required to have an Honesty Blanket Position bond. This coverage is defined as 'the loss sustained by any of the employees, acting alone or in collusion with others during the bond period.' All persons employed or authorized (e.g., paid officers or board members with check signing authority) to perform functions related to the execution of a CDBG-funded project or activity shall be covered by a minimum honesty blanket position coverage of \$10,000 for all employee and \$25,000 minimum bonding for the CFO and CEO."

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2. continued...

Upon review of the Agency's insurance policy, we noted that the Agency has bonding insurance of \$5,000 for both the CFO and the CEO instead of \$25,000. Another employees was not covered for the \$10,000 fidelity bonding insurance.

Failure to maintain adequate and current fidelity bonding increases financial risk to the CDA, the Agency and potential loss of federal funds and future reimbursements.

Recommendation

We recommend the Agency obtain adequate fidelity bonding for its employees in compliance with Section 2.6 of the CDA Operating Agency Fiscal Procedural Manual.

Management's response

As we are not currently a grant recipient (the report is from the 2006 calendar year), it is my understanding we do not need to address these recommendations. Certainly, should we become a grantee in the near future; we will address any recommendations set forth.