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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA
Internal Audit Executive

April 13, 2009

Jill Claybour, Acting Executive Director
Community Development Administration
1015 Locust Street, Suite 1200
St. Louis, MO 63101-1323

RE: Healthy Home Repair Program (#2007-AHC12)

Dear Ms. Claybour:

Enclosed is a report of our fiscal monitoring review of Community Development Administration, Healthy Home Repair Program for the period May 1, 2004 through May 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 the Community Development Administration. Our fieldwork was completed on April 25, 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 the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis Affordable housing commission (AHC) to provide fiscal monitoring to all grant sub-recipients.

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

Sincerely,

A handwritten signature in black ink that reads "Kenneth M. Stone".

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Angela Morton Conley, Executive Director, Affordable Housing Commission



CITY OF ST. LOUIS CITY OF ST. LOUIS

AFFORDABLE HOUSING COMMISSION

*COMMUNITY DEVELOPMENT ADMINISTRATION
CONTRACT #57-04G*

FISCAL MONITORING REVIEW

MAY 1, 2004 THROUGH MAY 31, 2006

PROJECT #2007-AHC12

DATE ISSUED: APRIL 13, 2009

*Prepared by:
The Internal Audit Section*



OFFICE OF THE COMPTROLLER OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
AFFORDABLE HOUSING COMMISSION (AHC)
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
FISCAL MONITORING REVIEW
MAY 1, 2004 THROUGH MAY 31, 2006**

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INTRODUCTION

Background

Contract Name: Community Development Administration (CDA),
Healthy Home Repair Program

Contract Number: 57-04G

Contract Period: May 1, 2004 through May 31, 2006

Contract Amount: \$152,755

This contract provided funds from the Affordable Housing Commission (AHC) to CDA's (Agency) Healthy Home Repair Program (HHRP). The purpose of the program was to assist households, at or below 20% of the St. Louis areas' median income (AMI), adjusted for family size, with emergency home repairs, especially those that affect the health and safety of individuals living in the house.

All disbursements of the AHC grant funds were to be based on services provided by a third party vendor, with all such vendors being approved by the Agency.

Purpose

The purpose of this fiscal monitoring review was to determine the Agency's compliance with the requirements of the AHC's contract agreement with the Agency for the period May 1, 2004 through May 31, 2006, and make recommendations for improvements as necessary.

Scope and Methodology

Inquiries were made regarding the agency's internal controls relating to the grant administered by AHC, evidence tested supporting the reports the Agency submitted to AHC and other procedures were performed as considered necessary. Our fieldwork was completed on April 25, 2008.

Exit Conference

The Agency was offered the opportunity for an exit conference, but the Agency declined.

Management's Response

The management's response was received on March 31, 2009, and has been incorporated into the report.

CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with its AHC contract requirements.

Status of Prior Observations

There were no prior report observations.

Summary of Current Observations

Opportunity to apply contract's income eligibility limit to non-repair expenditures

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

Opportunity to Apply Contract's Income Eligibility Limit to Non-Repair Expenditures

The contract agreement between The Affordable Housing Commission (AHC) and the Agency required that 100% of the expenditures of the Affordable Housing Trust Funds (AHTF) made available to the Agency were to be made to and for the benefit of households earning at or below 20% of the St. Louis area's median income (AMI).

In addition to reimbursements for contracted home repairs, the Agency reimbursed expenditures to the following two Healthy Home Repair Program (HHRP) "partner" organizations:

- The Catholic Commission on Housing, for obtaining title searches on the properties of repair applicants
- Beyond Housing/ Neighborhood Housing Services, for obtaining appraisals on the properties

The supporting documentation for those expenditures did not show that the agreement's income eligibility requirement for the participating property owners had been confirmed. The Agency's director of housing programs indicated the partner organizations had not been restricted to clients earning at or below 20% of AMI in requesting and obtaining reimbursements for title search and appraisal expenses. Instead, they had used the HHRP's general limit of 80% of AMI.

It is very likely that most of the AHTF expenditures used to reimburse the Catholic Commission on Housing and Beyond Housing/NHS for their respective title search and appraisal service costs were not made for clients earning 20% of AMI or below. Unless the AHC indicates it was not their intention to apply that client income limit to those non-repair expenditures, as well as to actual home repair expenditures, all or most of the reported non-repair expenditures, a total of approximately \$40,900, must be considered as questionable costs.

Recommendation

It is recommended the management of the Agency obtain clarification from the AHC on whether or not the 20% of AMI client income limit was to be applied to title search and appraisal service expenditures, as well as the actual home repair expenditures. If the AHC indicates the lower client income limit was to be applied, we recommend that CDA return the questioned cost amount of \$40,900 to AHTF.

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

Management's Response

While we do not necessarily agree with your observation, we did contact the staff at the Affordable Housing Commission (AHC) for clarification as you suggested. As you know, it is very difficult to find homeowners at or below 20% of the Area Median Income (AMI), which resulted in CDA having to return a portion of the original award as we did not have a sufficient number of applicants who met this criteria. The AHC responded that it was not their intention for CDA to repay the \$40,900 in questioned costs to the AHC.

However, they informed us that they would reduce a recent award by the amount above, minus the costs of any appraisals or title searches in which the homeowner's income is at 20% or less of the Area Median Income (AMI). We reviewed all of the files and found that a total of \$2,155 (13 titles searches @ \$60 ea. = \$780 + 5 appraisals @ \$275 ea. = \$1,375) were expended on clients at or below 20% AMI. As such, the Affordable Housing Commission has agreed to reduce our total allocation by \$38,745 (\$40,900 - \$2,155 = \$38,745), thus in effect repaying the amount in question.