



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA  
Internal Audit Executive

September 22, 2009

Yaphett El-Amin, Executive Director  
MoKan  
4144 Lindell Ave  
St. Louis, MO 63108

RE: Community Development Block Grant (CDBG)  
Project #2009-CDA50

Dear Ms. El-Amin:

Enclosed is a report of our fiscal monitoring review of MoKan, a not-for-profit organization, CDBG Program for the period January 1, 2008 through January 31, 2009. 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 MoKan. Fieldwork was completed on February 25, 2009.

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 the 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 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  
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
MOKAN CCAC  
FISCAL MONITORING REVIEW  
JANUARY 1, 2008 THROUGH JANUARY 31, 2009**

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## **INTRODUCTION**

### **Background**

**Contract Name:** MoKan

**Contract Number:** 08-90-61

**CFDA Number:** 14.218

**Contract Period:** January 1, 2008 through March 31, 2009

**Contract Amount:** \$135,000 (\$170,688 revised)

The contract provided Community Development Block Grant (CDBG) funds from the Community Development Administration to MoKan CCAC (Agency) to provide technical assistance to City certified MBE/WBE firms, to provide access to the Operations Management Policies and Procedures Plan, if firms have no plan, the Agency will refer firms to SBA (Small Business Administration), and assist construction firms in various aspects of construction and marketing.

### **Purpose**

The purpose of the review was to determine the Agency's compliance with federal, state and local requirements for the period January 1, 2008 through January 31, 2009 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 CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on February 25, 2009.

### **Exit Conference**

An exit conference on was conducted at the Agency on September 21, 2009. The Agency was represented at the conference by Yaphett El-Amin, Executive Director and Joseph Bryant, Accountant. The Internal Audit Section was represented by Dr. Kenneth M. Stone, Internal Audit Executive and Victoria Reed, Auditor.

## **INTRODUCTION**

### **Management Responses**

Management's responses to the observations and recommendations identified in the draft report were received from the Agency September 21, 2009. These responses have been incorporated into this 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 #2008-CDA8, issued August 17, 2008 contained the following observations.

1. Going concern issues (**Resolved**)
2. Inadequate board oversight (**Resolved**)
3. Quarterly reports not submitted timely (**Resolved**)
4. Opportunity to segregate duties (**Resolved**)

### **A-133 Status**

According to a letter received from the Agency, dated December 2, 2008, it did not expend \$500,000 or more in federal funds in its fiscal year ending December 31, 2008, and is not required to have an A-133 audit.

### **Summary of Current Observations**

Recommendations have been made for the following observations, which if implemented, could assist the Agency in fully complying with federal, state and local CDA requirements.

1. Unresolved IRS filings
2. Opportunity to enhance accounting procedures
3. Opportunity to enhance cash management
4. Opportunity to obtain sufficient business liability insurance

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

**1. Unpaid Payroll Taxes**

Based on the prior fiscal monitoring report, the Agency owed IRS payroll taxes for \$81,082.96 for calendar years 2002 through 2005. In 2007, the Agency entered into an agreement with IRS to pay the outstanding taxes in monthly installments of \$1,700 until they are fully paid off. As of January 2009, the Agency had paid \$50,718.24, leaving a balance of the outstanding payroll taxes of \$30,364.72.

**Recommendation**

It is recommended, that the Agency continue to pay the outstanding payroll taxes until they are fully paid off.

**Management's Response**

*The Board of Directors of Mokaan is committed to retiring the balance due to the Internal Revenue Service. It is a top priority to honor the current installment plan. Currently the balance has been reduced to \$19,101.91.*

*Currently the Agency has contracted the tax filing and reporting functions to an outside payroll company.*

## **2. Opportunity to Improve Internal Control Over Reimbursement Request Process**

### **Duplicate Reimbursements**

The Agency requested and received reimbursements for the following expenses in June 2008; however, the Agency received reimbursements for the same expenses earlier in February and April 2008 with different invoice dates as follows:

<b>Vendor</b>	<b>Invoice #</b>	<b>Invoice Date</b>	<b>Amount</b>	<b>Claimed Earlier</b>
Thomas L. Mines	0001	April 21, 2008	\$218.74	In February 2008, as invoice dated January 13, 2008
Thomas L. Mines	0002	April 21, 2008	134.40	In April 2008, as invoice dated April 21, 2008
Thomas L. Mines	0003	April 21, 2008	218.74	In April 2008, as invoice dated April 21, 2008
<b>Total</b>			<b>\$571.88</b>	

### **Excess Reimbursement**

In June 2008, The Agency requested and received reimbursement for the following medical expenses that exceeded the invoice amounts by \$108.99 as follows:

Medical invoice submitted for reimbursement:

March 2008	\$194.64
April 2008	194.64
May 2008	<u>194.64</u>
Total invoice Amounts	\$583.92
Amount requested for reimbursement	<u>692.91</u>
Excess (unsupported) reimbursement	<u>\$108.99</u>

### **Total Questioned Costs**

Duplicate Reimbursements	\$571.88
Excess Reimbursement	<u>108.99</u>
Total	<u>\$680.87</u>

Good accounting practice requires that internal controls be in place to ensure that the request for reimbursements are arithmetically correct and are supported by invoices or other back-up documentation.

## 2. Continued...

The Agency did not have a system of control in place to ensure that the requests for reimbursements are reviewed for accuracy prior to their submission to the funding agency for reimbursement

### Recommendation

It is recommended the Agency refund CDA the total questioned cost of \$680.87. It is also recommended that the Agency re-evaluate preventative controls, such as management verification, scheduling payments and voiding invoices when paid.

### Management's Response

*The Board of Directors of Mogan is committed to being transparent in decision-making, finances, and programs. In August of 2008 the Mogan Board of Directors hired a new Executive Director. Since then, the Board, Executive Director, and staff have focused on making transparency a reality. In an effort to obtain this goal, management has replaced 80% of its office staff. Each position has been upgraded in both skill and experience.*

*The Board of Directors of Mogan is committed to an ongoing review and improvement in all areas of internal control. The Agency will repay the questioned cost of \$680.87.*

*The Agency is currently billing on a timely basis, this will reduce duplicate billings. There is a two-tiered system in place to make sure all documentation is present and the billings it self is accurate. The Executive Director and the Fiscal Manager sign all billings. Bills are paid from invoices and not statements. Once an invoice is paid, the invoice is stamped paid and filed away in the paid file*

### 3. Opportunity to Opportunity to Comply with Period of Availability Requirements

A review of the April 2008 vouchers and receipts disclosed that the Agency requested and received reimbursement in April 2008 for expenses that were incurred outside the funding period (January 1, 2008 through March 31, 2009) resulting in questioned cost of \$194.45 as follows:

Vendor	Invoice Number	Invoice Date	Invoice Amount	Amount Reimbursed
US Bank	086807278	November 14, 2007	\$186.10	\$100.00
Payroll 1	163857	December 31, 2007	137.50	94.45
Total Questioned Costs				\$194.45

In addition, there were three instances where the Agency received reimbursements, but did not pay the vendor until four to nine weeks later resulting in question cost of \$919.26 as follows:

Vendor	Invoice Number	Invoice Date	Date Reimbursed	Date Vendor Paid	Amount
US Bank	08687278	March 11, 2008	April 2008	June 12, 2008	\$186.10
A T&T	-	February 13, 2008	April 2008	May 15, 2008	314.41
US Bank	08884539	January 11, 2008	April 2008	June 12, 2008	418.75
Total Questioned Costs					\$919.26

#### Questioned Costs Summary

Reimbursements after the funding period	\$ 194.45
Agency paid vendors after receiving reimbursements	<u>919.26</u>
Total	<u>\$1,113.71</u>

OMB Circular A-133 Compliance Supplement requires that:

- Where a funding period is specified, a non-federal entity may charge to the award only costs resulting from obligations incurred during the funding period.
- Under cost-reimbursement contracts, an expense must have incurred and paid before requesting its reimbursement.

The Agency did not have a system of internal control in place to ensure it compliance with the OMB Circular A-133 Compliance Requirements.

### **3. Continued**

#### **Recommendation**

It is recommended that the Agency:

- Establish a system of internal control to ensure its compliance with the OMB Circular A-133 Compliance Requirements.
- Repay the questioned costs of \$1,13.71

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

*The Board of Directors at Mogan has adopted a true reimbursement policy. Currently the Agency pays the bills upfront, and then bills the contract after the fact. The Agency will repay the questioned cost of \$1,113.71. The Executive Director and Fiscal Manager approve all billings.*

**4. Opportunity to Obtain Sufficient Business Liability Insurance**

The Agency's did not have the general liability insurance coverage during the contract period. General liability insurance covers against perceived risk, legal responsibilities, false advertising, damages and protects the Agency's assets.

Grant agreement requires that the Agency carry a general liability insurance coverage.

The Agency did not have a system of internal control to comply with the terms and conditions of the grant agreement.

The lack of general liability insurance may result in suspension or termination of the grant agreement

**Recommendation**

It is recommended the Agency obtain a general liability insurance coverage and establish a system of internal control to comply with the provisions of the contract.

**Management's Response**

*The Board of Directors at Mokaan has added a business liability policy with a \$2,000,000 limit along with a Workers Compensation policy.*