



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



FILE COPY

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DR. KENNETH M. STONE, CPA  
Internal Audit Executive

March 3, 2010

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

RE: Community Development Block Grant (CDBG) (Project #2010-CDA24)

Dear Mrs. Cousins:

Enclosed is a report of our fiscal monitoring review of the Riverview West Florissant Development Corporation, a not-for-profit organization, CDBG program for the period January 1, 2009 through June 30, 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 Riverview West Florissant Development Corporation. Fieldwork was completed on January 25, 2010.

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 subrecipients.

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

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

**RIVERVIEW WEST FLORISSANT DEVELOPMENT CORPORATION  
CONTRACT(S): #09-21-92, #09-31-55 AND #09-36-13  
CFDA #14.218**

**FISCAL MONITORING REVIEW**

**JANUARY 1, 2009 THROUGH NOVEMBER 30, 2009**

**PROJECT #2010-CDA 24**

**DATE ISSUED: MARCH 3, 2010**

**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)  
RIVERVIEW WEST FLORISSANT DEVELOPMENT CORPORATION  
FISCAL MONITORING REVIEW  
JANUARY 1, 2009 THROUGH NOVEMBER 30, 2009**

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## INTRODUCTION

### Background

**Contract Names:** Riverview West Florissant TMAP  
Riverview West Florissant CDBG

**Contract Numbers:** 09-21-92, 09-36-13, 09-31-55

**CFDA Number:** 14.218

**Contract Periods:** January 1, 2009 through December 31, 2009

**Contract Amounts:** \$190,000 (09-21-92), \$189,350 (09-36-13), \$790,312 (09-31-55)

These contracts provided Community Development Block Grant (CDBG) funds to Riverview West Florissant Development Corporation (Agency) to identify nuisance properties within the 2nd, 3rd, 21st and 27th wards and work with the property owners to eliminate nuisance conditions or behaviors (09-36-13); to undertake neighborhood improvements; housing, commercial and economic development activities needed to revitalize the Walnut Park, North Pointe, JVL, St Louis Place, Hype Park, College Hill, Fairground neighborhood and O'Fallon communities (09-31-55). The rehab of 6085 West Florissant will be utilized as the new office space for the Riverview West Florissant Development Corporation. (09-21-92).

### Purpose

The purpose of this fiscal monitoring review was to determine the Agency's compliance with federal, state and local CDBG requirements for the period January 1, 2009 through November 30, 2009, and make recommendations for improvements as considered necessary.

### Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by the Community Development Administration (CDA). Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on January 25, 2010.

### **Exit Conference**

The Agency was offered the opportunity for an exit conference on February 8, 2010, but the Agency declined.

### **Management's Responses**

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on February 12, 2010. 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 #2009-CDA23, issued June 16, 2009, contained three observations:

- 1) Opportunity for written policies or procedures for accounting system. **(Resolved)**
- 2) Opportunity to submit monthly financial reports. **(Repeated)**
- 3) Opportunity to improve assets management-questioned cost \$1,186.85 **(Resolved)**

### A-133 Status

The Agency expended \$500,000 or more in federal funds for the year ended December 31, 2008; therefore, it was required to have a single audit in accordance with OMB Circular A-133.

The report was dated May 10, 2009, and rendered an unqualified opinion on the financial statements; however, there were material weaknesses and instances of noncompliance identified, but no findings were noted. The report rendered a qualified opinion on the federal awards where material weaknesses were identified.

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

The report was reviewed by IAS, and it was recommended that the report not be accepted due to five technical deficiencies identified.

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

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

**1. Opportunity To Submit Monthly Financial Reports In A Timely Manner**

The Agency submitted 2 out of 11 reports late by an average of 64 days for contracts 09-36-13 and 09-31-55.

A section 2.11 of the CDA Operation Agency Manual requires that monthly financial reports be submitted by the 10<sup>th</sup> business day of the month following the reporting period. This is also stated in Section 6 of the grant agreement.

The Agency was in transition of starting their beatification program. The Fiscal Manager was busy with her schedule and did not submit the report for the month of July until November 2009.

CDA will not process requests for reimbursement until the required report has been received in a timely manner.

**Recommendation**

It is recommended that the Agency comply with CDA guidelines and submit its monthly financial reports by the 10<sup>th</sup> business day of the month following the reporting period.

**Management's Responses**

*Financial Reports were late because they were overlooked with the growth of additional programs presented to the organization, and the finance manager was just getting acclimated to her position and duties. As of January 2010 finding will no longer be an issue.*

## **2. Opportunity To Address Inadequate Board Oversight**

The Board minutes from the November 2009 meeting were reviewed and it was noted that the Board did not review the Agency's financial records. There was no mention of federal grant expenditures, a treasurer's report and/or the financial position of the Agency.

The board of directors should provide the oversight required to facilitate sound business management decisions and an acceptable level of internal controls over compliance with the federal grant and its conditions.

When the board reads the treasurer's report or mention financial information, the person taking the minutes is excused from the meeting. This why there is no documentation of financial reports in the approved minutes.

The lack of the board of directors' oversight may lead to the mismanagement of the Agency's operations and grant funds resulting in suspension or termination of the federal awards.

### **Recommendation**

It is recommended the Agency, at a minimum, create a finance committee and start reviewing financial statements and grant expenditures at the meetings.

### **Management's Responses**

*The board meets the third Tuesday of every month; due to the size of the board it would not be feasible to have a finance committee. As of January 2010 all board minutes will reflect the financial report provided by the finance manager for the organization.*

### **3. Opportunity To Improve Internal Controls Over Time Reporting**

A sample of time sheets was taken for the months of June, July and November 2009 for the per-performance employees for the beautification program on contract 09-36-13. From this sample, 64 out of 140 total time sheets reviewed (46%), the following deficiencies were present:

- Time sheets were either not signed/approved by management
- Not signed by the employee
- Not dated by the employee or supervisor
- Signed by someone other than the actual employee
- The employee signed the time sheet prior to the end of the pay period
- The pay period was not identified

A sample of time sheets 45 (09-31-55) and 46 (09-36-13) was taken for the months of January, May, June, July and November 2009 for the full-time employees on contracts 09-31-55 and 09-36-13. It was noted that none of the time sheets were dated.

Section 5.2 of the CDA Operating Agency Manual entitled "Record Keeping Requirements" under the Payroll Records section states that at the end of each pay period, time reports must be prepared and signed by both the employee and their supervisor.

Agency management did not provide adequate oversight over time reporting. It did not have anything in place for signing and dating time sheets in its policies and procedures manual.

Incomplete time sheets shows ineffective internal controls regarding time reporting and could result in questioned costs or suspension or termination of the federal award.

#### **Recommendation**

It is recommended that the Agency improve its internal controls to ensure that all time sheets are signed and/or approved. Also procedures should be in place to ensure that employees are signing their own time sheets and completing them accurately.

#### **Management's Responses**

*As of January 2010 all time sheets will be signed only by employees and will be signed off by supervisors. Based on the organizations policy and procedure manual the employee's are not required to date time sheets. Timesheets are signed prior to the end of the pay period based on the organization being on an advanced pay schedule due to CDA requirements.*

#### **4. Opportunity To Approve Mileage Reports Submitted For Reimbursement**

The mileage reports requested for reimbursement were reviewed for the months of January, May, July, September and November 2009 for contract 09-36-13 and 09-31-55. There were 310 out of a total of 315 mileage reports reviewed (99%) which had the following deficiencies:

- Not approved and/or dated by management
- Incomplete forms (no destination)
- Signed by someone other than the actual employee
- Inconsistent mileage totals to the same destination on subsequent days

Section 5.2 of the CDA Operating Agency Manual entitled "Record Keeping Requirements" states that any authorized officer(s) must authorize all expenditures and that this authorization should be adequately documented. Internal controls are useful management tools to ensure that resources are used for authorized purposes; protected against waste, mismanagement or loss; and reliable information on the source and uses of Agency resources are secured, up-to-date and disclosed in appropriate records and reports.

Agency management does not require their employees to document each site visited per day on the mileage report. Management states it only requires the starting and ending destinations.

Incomplete or forged mileage reports could result in questioned costs, delays in processing of reimbursement requests, or suspension or termination of the federal award.

#### **Recommendation**

It is recommended that the Agency comply with CDA guidelines and authorize/approve all expenditures that are submitted for reimbursement. It is also recommended that all employees provide a list of all sites visited per day along with the mileage totals.

#### **Management's Responses**

*As of January 2010 all mileage forms will be reviewed, dated and signed by employee and supervisor and reviewed by Executive Director prior to submitting to CDA for approval.*

**5. Opportunity To Improve Internal Controls Over Paid-Time-Off (PTO) Reporting**

From the same sample of time sheets taken in observation #3, it was noted that the Executive Director had vacation and sick leave balances of 600 and 548.66 hours respectively as of December 5, 2009. Also, all full-time employees had a balance of 8 or 16 personal hours. These balances are inconsistent with the Agency's policies and procedures manual.

Section V of the Agency's policies and procedures manual (Revised October 2008) addresses paid time off (PTO). In the policy, an employee who has been employed with the Agency for five years or more earn 30 days (240 hours) of PTO per year. Included in PTO is vacation, illness, bereavement and emergency absences. There is no mention of separate sick leave or personal hours. Also, PTO will not accrue from year to year.

Agency management has not updated its time reporting to reflect its policies and procedures. The last update to their policy and procedures manual was October 2008.

Not reporting PTO in the policies and procedures manual can result in questioned costs or disallowed reimbursements for any PTO hours charged in excess of an employees total based on employment.

**Recommendation**

It is recommended that the Agency adhere to its policy on PTO and update all time reports to show actual hours used and available.

**Management's Responses**

*The policy and procedure manual that was presented was approved in 2008. The Executive Director, and all of other staff employed prior to 2008 PTO reflects the policy and procedure manual from 2004, therefore their hours were allowed to be carried over. All employees are given two personal days per year, based on the finding the last date present did not reflect the end of the year.*

*None the less, the organization has reviewed both policy and procedure manuals from 2004 and 2008 and made revisions and awaits review and approval from the board of directors prior to submitting to staff.*

## **6. Opportunity To Improve Internal Controls Over Fuel Consumption And Usage**

The Agency runs a beautification program from contract 09-31-55 which requires it to do various landscaping duties. The Agency owns a large number of different gas-powered lawn care equipment to complete these duties. For the month of September 2009, the Agency purchased 90.04 gallons of gasoline which totaled \$203. There was no documentation with the receipts which showed how many gas cans were filled per receipt, or how much fuel was remaining after the use of the equipment.

Sound internal controls would require the Agency to have a method of tracking fuel consumption and use to eliminate abuse and to provide an accurate measure of how much fuel is needed, used, and remaining at the end of each day. Therefore; CDA requires the Agency to submit original invoices with all supporting documentation attached to the monthly reimbursement request.

Agency management stated that they did not have an active policy in place to track fuel consumption and usage. Because there are no internal controls in place to track the amount of fuel being used, there should be fuel limitation on how much is consumed by the week.

Not implementing a policy for fuel consumption and use could result in abuse by employees, questioned costs, delays in processing of reimbursement requests or disallowed reimbursements.

### **Recommendation**

It is recommended that the Agency create a policy and procedure that would track fuel consumption and use. It is also recommended that only certain employees have the authority to purchase the fuel.

### **Management's Responses**

*The organization will create a policy and procedure plan to insure the tracking of the fuel consumption for the Beautification Program is accountable.*

## **7. Opportunity to File Missouri Unemployment Taxes Timely**

The Agency did not pay its quarterly MO unemployment taxes for the calendar year 2009; however, it took the option to pay its taxes on a claim-by-claim basis. The Agency could not provide documentation for its filing status.

A governmental entity or nonprofit organization with a federal exemption under Section 501 (c) (3) of the Internal Revenue Code has the option to elect to reimburse the Missouri Unemployment Compensation Fund for the amount of benefits paid that were attributable to services in its employment.

Such an election must be made in writing either:

1. Within 30 days of the date the original notice of liability is mailed; or,
2. At least 30 days prior to January 1<sup>st</sup> of a calendar year for which such election shall be effective. Any election to change to reimbursable after an employer was contributing cannot be terminated for two calendar years.

Agency management states that they pay employment taxes per claim. The Agency was unaware that they had to declare for reimbursement status in writing.

If the Agency does not send its election to be on a reimbursement basis, then it will have to pay quarterly. A \$100 penalty will be charged for each quarterly contribution and wage report not filed within the month following the due date. This penalty will continue to be imposed each month or fraction of a month the report is not filed. The maximum penalty per quarter is \$200.

### **Recommendation**

It is recommended that the Agency submit its filing status in writing to the state, or pay its taxes quarterly.

### **Management's Responses**

*The organization has opted to pay its MO unemployment taxes on a quarterly basis.*