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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

DR. KENNETH M. STONE, CPA
Internal Audit Executive

Camahan Courthouse Building
1114 Market St., Room 642
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

March 23, 2009

Chris Krehmeyer, Executive Director
Beyond Housing
4156 Manchester Avenue
St. Louis, MO 63110

RE: Community Development Block Grant (Project #2009-CDA1)

Dear Mr. Krehmeyer:

Enclosed is a report of our fiscal monitoring review of the Beyond Housing, a not-for-profit organization, Community Development Block Grant (CDBG), for the period January 1, 2008 through August 31, 2008. 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 Beyond Housing. The fieldwork was completed on September 24, 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 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,

A handwritten signature in cursive script that reads "Kenneth M. Stone".

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Lorna Alexander, Special Assistant for Development, CDA
Jill Claybour, Acting Executive Director, CDA



CITY OF ST. LOUIS CITY OF ST. LOUIS

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

**BEYOND HOUSING
CONTRACT #08-36-22 & #08-HM-36-22
CFDA #14.218 & #14.239**

FISCAL MONITORING REVIEW

JANUARY 1, 2008 THROUGH AUGUST 31, 2008

PROJECT #2009-CDA1

DATE ISSUED: MARCH 23, 2009

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
BEYOND HOUSING
FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH AUGUST 31, 2008**

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INTRODUCTION

Background

- Contract Name:** Healthy Home Repair Program &
Construction Management Program
- Contract Numbers:** 08-36-22 (Healthy Home Repair Program)
08-HM-36-22 (Construction Management Program)
- CFDA Numbers:** 14.218 (Healthy Home Repair Program)
14.239 (Construction Management Program)
- Contract Period:** January 1, 2008 through December 31, 2008
- Contract Amounts:** \$1,194,875 (Healthy Home Repair Program)
\$1,338,000 (Construction Management Program)

These contracts provided Community Development Block Grant (CDBG) funds to Beyond Housing (Agency) to provide programs and construction management services for low and moderate-income homeowners participating in the Healthy Home Repair and Construction Management programs. The Agency develops scopes of work, prepare cost estimates, prepare bid packages, draft contracts, underwrite loans and grants, provide loan and grant processing and closing services, monitor construction process, conduct interim and final inspections, and process contractor payments.

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, 2008, through August 31, 2008, 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 CDA, evidence tested supporting the reports the Agency submitted to Community Development Administration (CDA) and other procedures performed as considered necessary. Our fieldwork was completed on September 24, 2008.

Exit Conference

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

INTRODUCTION

Management's Response

The management's responses to the observations and recommendations noted in the report were received on March 12, 2009. These responses have been incorporated into the report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local CDBG requirements.

Status of Prior Observations

The Agency's most recently fiscal monitoring report dated September 7, 2007, contained no observation.

A-133 Status

The Agency expended \$500,000 or more in federal funds for the year ended December 31, 2007; therefore, was required to have a single audit in accordance with OMB Circular A-133.

The A-133 report, dated May 21, 2008, expressed an unqualified opinion on the financial statements and major awards. No control deficiencies or material weaknesses were noticed, and there were no audit findings. The Agency was determined to be low-risk.

Summary of Current Observations

Recommendations are made for the following observations, which if implemented, could assist the Agency in complying with federal, state and local CDBG requirements:

1. Opportunity to approve time reports
2. Opportunity for two duly authorized signatures on checks

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

1. Opportunity to Approve Time reports

Section 2.2 of the CDA Operating Agency Fiscal Procedures Manual states, "Internal controls are defined as a combination of procedures including separating functional job responsibilities, hiring qualified personnel, and keeping proper records that together create accountability in the organization's financial systems and safeguard its cash, property and assets." Sound internal controls over payroll require that all employee time reports are reviewed, approved, and signed by an authorizing designee.

The director's time reports were not approved and signed by higher management. In addition, the employee and management did not sign the sample of staff time reports reviewed.

When time reports are not reviewed and approved by an authorizing designee, there is an opportunity for incorrect reporting of work hours charged to a federal program. This may result in over-reimbursement of funds.

Recommendation

It is recommended that the management approve and sign all time reports.

Management's Response

Regarding the President's time sheet—It is impractical to require a board member's signature on the President's time sheet. We have implemented the procedure of requiring the Chief Operating Officer or the Chief Financial Officer's review and approval of the President's bi-weekly time sheet. This procedure will provide an independent review of the President's time reports.

Regarding the requirement of obtaining both the employee's and the supervisor's signature on time sheets—It has always been our policy to require both signatures on a time sheet. The exceptions noted were isolated instances and are not an indication of a weakness in internal control. The policy has been discussed and has been reinforced with the payroll clerk. Time sheets will not and should not be processed unless they are signed by both the employee and a supervisor.

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

2. Opportunity for Two Duly Authorized Signatures on Checks

Section 5.2 "Record Keeping Requirements" of the CDA Fiscal Procedures Manual requires the method of disbursement for expenditures shall be pre-numbered checks signed by the chief executive officer and the financial officer or any two duly authorized officers. This is to enhance internal controls.

Disbursement checks reviewed were only signed by the chief financial officer of the Agency. According to the chief financial officer, the Agency only requires one signature for checks of any amount.

Non-compliance with the CDA requirements pertaining to dual signatures on checks can result in misappropriation of the agency's funds. In addition, it may result in possible delay or suspension of expenditure reimbursements to the Agency.

Recommendation

We recommend the Agency comply with CDA requirements and have all its disbursement checks for expenditures funded by CDA signed by two authorized officers.

Management's Response

We totally disagree with the statement that the Agency only requires one signature for checks of any amounts. The auditor was informed of our required check signing policy which is: 2 signatures are required for all checks issued which directly use CDBG and/or HOME funds. This covers all instances where Beyond Housing has received CDBG/HOME funds and in turn is disbursing those funds back out to contractors, etc. All other disbursement require 1 signature for checks under \$5000 and 2 signatures for checks \$5000 and greater. This policy was implemented in 9/04 and was documented in our response to the Fiscal Monitoring Report for contracts 02-36-04/02-36-03/03-HM-80-06C. The authorized check signers are the President/CEO, Chief Operating Officer and the Chief Financial Officer.

Auditor's Comment

CDA requires that all CDBG and HOME checks be signed by the grant recipient's two duly authorized officers.

The disbursements checks that were reviewed had only one signature.