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**OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS**



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Comptroller

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

May 21, 2009

Darryl Commings, Director of Finance
Better Family Life, Inc.
724 N. Union Blvd.
St. Louis, MO 63108

RE: Community Development Block Grant, CDBG, (Project #2009-CDA47)

Dear Mr. Commings:

Enclosed is a report of our fiscal monitoring review of the Better Family Life, Inc., Community Development Based Organization (BDO), a not-for-profit organization, CDBG Program, for the period January 1, 2008 through December 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 Better Family Life, Inc. The 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 Internal Auditing* and through an agreement with the City of St. Louis, Community Development Administration (CDA) to provide fiscal monitoring to all federal grant sub-recipients.

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

Sincerely,

Handwritten signature of Kenneth M. Stone in black ink.

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)**

**BETTER FAMILY LIFE, INC.
COMMUNITY BASED DEVELOPMENT ORGANIZATION
CONTRACTS #08-11-84, #08-11-95, & #08-31-72
CFDA #14.218**

**FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**

PROJECT #2009-CDA47

DATE ISSUED: MAY 21, 2009

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER
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HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
BETTER FAMILY LIFE, INC., CBDO
COMMUNITY BASED DEVELOPMENT ORGANIZATION (CDBO)
FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**

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INTRODUCTION

Background

Contract Name: Better Family Life, Inc, CBDO

Contract Numbers: 08-11-84, 08-11-95, and 08-31-72

CFDA Number: 14.218

Contract Periods: January 1, 2008 through December 31, 2008

Contract Amounts: \$75,000 (#08-11-84)
\$20,000 (#08-11-95)
\$100,500 (#08-31-72)

These contracts provided Community Development Block Grant (CDBG) funds to Better Family Life, Inc (Agency) for assistance in further development of housing in the St. Louis area by providing the funds necessary to acquire land and plan for projects associated with these contracts.

Purpose

The purpose was to determine the Agency's compliance with federal, state and local CDBG requirements for the period January 1, 2008 through December 31, 2008, and make recommendations for improvements as necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by Community Development Administration (CDA). Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. The fieldwork was completed on February 18, 2009.

Exit Conference

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

Management's Responses

Management's responses to the observations and recommendations noted in the report were received on May 19, 2009, and have been incorporated into the 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-CDA40, issued on November 24, 2008, contained one observation:

1. Agency did not maintain adequate accounting records for In-School Program
(Partially Resolved- See Current Observation #1)

A-133 Status

Better Family Life, Inc. 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.

A-133 report, for the Year Ending December 31, 2007, dated May 30, 2008, rendered an unqualified opinion regarding compliance with requirements applicable to major federal awards. There were no reportable conditions considered to be a material weakness.

The auditors issued an unqualified opinion on the general purpose financial statements. HDC did qualify as a low-risk auditee.

It is recommended that the A-133 report be accepted.

Summary of Current Observations

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

1. Opportunity to improve internal controls over Daily Sign-In Sheets for in-school program
2. Opportunity to improve internal controls over nepotism

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

1. Opportunity to Improve Internal Controls over Daily Sign-In Sheet for In-School Program

The November and December 2008 Daily Sign-In Sheets, for the In-School Program, were reviewed in order to verify that the Agency's prior observation of having inadequate supporting documentation for the In-School Program had been resolved. The months of October and December 2008 were sampled. While the Daily Sign-In Sheets were present with the participants' signatures, the teacher and/or teacher's aid, that witnessed the participants sign, failed to verify the accuracy of the recorded information by signing the Daily Sign-In Sheets. Due to the lack of oversight, key pieces of information were not present on the majority of the Daily Sign-In Sheets such as the date, class Day, and time.

Section 2.2 of the Fiscal Operating Procedures Manual states "internal controls are a combination of procedures including separating functional responsibilities, hiring qualified personnel, and keeping proper records that together create accountability in the organization's financial systems and safeguard its cash, property and other assets."

The Controller stated that the teachers participating in the In-School Program were unaware that their authorizing signatures were required.

Without daily oversight and verification of services provided, inaccurate information may be recorded on the Daily Sign-In Sheets and go unnoticed, which may result in payment of the grant funds for hours not worked.

Recommendation

It is recommend the Agency improve internal controls by having at least one teacher or teacher's aid review and sign the Daily Sign-In Sheet on a daily basis.

Management's Response

Better Family Life will implement the recommendation of the Office of the Comptroller by having at least one teacher or teacher's aide review and sign the Daily Sign-In Sheet on a daily basis.

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

2. Opportunity to Improve Internal Controls over Nepotism

The Better Family Life Urban Rhythms Program, contract #08-11-95, had two cases where immediate family members were working under the same grant as temporary employees. The workers were siblings in both instances; however, one case involved two children of a permanent employee of the Agency.

The Nepotism Section of the Agency's Personnel Manual states, "Immediate family members cannot both work in areas funded by the same grants/contracts."

The Director of Finance stated that the Agency did not think that the Nepotism Clause applied to the summer program since the employees were temporary employees.

Hiring immediate family members gives the appearance that those employees were given an unfair advantage in obtaining a job or promotion. This may lead to complaints to the Equal Employment Opportunity Commission and/or the delay or termination of CDA funding.

Recommendation

It is recommended that the Agency follow both the CDA and Agency Nepotism guidelines for all of its employees, both temporary and permanent.

Management's Response

Better Family Life contests the claim of nepotism relating to the hiring of family members on a temporary basis to work in areas funded by the same grants/contracts. Better Family Life in no way tried to employ favoritism in the hiring of these individuals. Although the Agency's Nepotism policy in the Personnel Manual does state that immediate family members cannot both work in areas funded by the same grants/contracts, it was our intention to distinguish between permanent and temporary employees working on the same grants. It is our contention that temporary employees should not be held to the same standard of nepotism used for the hiring of permanent employees, especially if they are working on unrelated contracts. We will consider amending the nepotism clause in our Personnel Manual to make it clearly reflect a distinction between permanent and temporary employees working on an unrelated grant/contract.

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

2. Continued...

Specifically, related to the issue at hand, the permanent employee of the agency had no authority in the hiring process of the temporary employees since the permanent employee functioned in a non-supervisory capacity, i.e. hiring staff or influencing the hiring of staff. In our judgment it presented the necessary arm length relationship that wouldn't involve the consideration of a nepotistic relationship. Furthermore, no family members under the funded contract had any direct supervision over their relatives and as such could not influence their assigned duties, work schedule, evaluation of work performance and rate of pay. We are quite aware that the appearance of nepotism could possibly raise the issues of accountability, conflict of interest and independent mindedness. However, in the above referenced case we believe nepotism should not apply.

Auditor's Comment

- The Nepotism Section of the Agency's Personnel Manual does not make any distinction between temporary and permanent employees. Section 19 of the CDA grant agreement has a similar nepotism clause that is applicable to this issue.

- Both sets of related employees were employed under one related grant.