



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

November 17, 2011

Ollie Stewart, Executive Director
Southside Senior Center
3017 Park Avenue
St. Louis, MO 63104

RE: Community Development Block Grant (CDBG) (Project #2011-CDA32)

Dear Ms. Stewart:

Enclosed is a report of our fiscal monitoring review of the Southside Senior Center, a not-for-profit organization, CDBG Preventive Care Program, for the period May 1, 2010 through April 30, 2011. 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 the Southside Senior Center. Fieldwork was completed on June 30, 2011.

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 sub recipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

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)
PREVENTIVE CARE PROGRAM**

SOUTHSIDE SENIOR CENTER

**CONTRACT #10-10-02
CFDA #14.218**

FISCAL MONITORING REVIEW

MAY 1, 2010 THROUGH APRIL 30, 2011

PROJECT #2011-CDA32

DATE ISSUED: NOVEMBER 17, 2011

**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)
SOUTHSIDE SENIOR CENTER
FISCAL MONITORING REVIEW
MAY 1, 2010 THROUGH APRIL 30, 2011

TABLE OF CONTENTS

Description	Page(s)
INTRODUCTION	
Background	1
Purpose	1
Scope and Methodology	1
Exit Conference	1
Management's Responses	1
SUMMARY OF OBSERVATIONS	
Conclusion	2
Status of Prior Observations	2
A-133 Status	2
Summary of Current Observations	2
DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES	
	3-5

INTRODUCTION

Background

Contract Name: Preventive Care Program
Contract Number: 10-10-02
CFDA Number: 14.218
Contract Period: May 1, 2010 through April 30, 2011
Contract Amount: \$40,000

The contract provided Community Development Block Grant (CDBG) funds to the Southside Senior Center (Agency), Preventive Care Program, to assist seniors and other residents of the City's near Southside area to maintain an adequate quality of life and also prevent the premature institutionalization of elderly residents. Services to be provided by the Preventive Care Program included transportation, exercise, warm-water therapy for arthritis, health screenings, nutritional education, recreational activities and outreach services.

Purpose

The purpose was to determine the Agency's compliance with federal, state, and local Community Development Administration (CDA) requirements for the period May 1, 2010 through April 31, 2011, and make recommendations for improvements, as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by CDA. Evidence was tested supporting reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on June 20, 2011.

Exit Conference

An exit conference was conducted at the Agency on September 6, 2011. The Agency was represented at the exit conference by Executive Director and Office Manager. The Internal Audit Section (IAS) was represented by Internal Audit Manager, Auditor II, and Auditor-in-Charge.

Management's Response

On September 6, 2011, IAS provided the Agency with a draft report containing observations and the recommendations and requested a response by September 13, 2011. However, as of the date of this report, the Agency has not responded.

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-CDA41, issued June 1, 2009 contained two observations:

1. Opportunity to file IRS form 990 in a timely manner (**Resolved**)
2. Opportunity for board of directors to oversee Agency's financial operations (**Repeated, See Current Observation #3**)

A-133 Status

According to a letter received from the Agency, dated March 9, 2011, it did not expend \$500,000 or more in federal funds in the calendar year ended December 31, 2010, and was not required to have an A-133 single audit.

Summary of Current Observations

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

1. Opportunity to comply with records and audit provisions of grant contract (Questioned costs \$2,292)
2. Appearance of conflict of interest
3. Opportunity for board of directors to oversee Agency's operations

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

**1. Opportunity To Comply With Records And Audit Provisions of Grant Contract
(Questioned Costs \$2,292)**

The Agency's accounting records were inadequate to verify the preventive program's units of service that were reimbursed. Units of service, the Agency claimed for reimbursements, were the number of eligible individuals who participated in the Agency's Tai Chi program.

The Internal Audit section (IAS) tested units of service reimbursed for September 2010, and January and February 2011. There were 459 individuals (service units) who participated in the Tai Chi program during this period. Out of the 459 individuals, 191 did not have their signatures present on the program or the transportation sign-in sheets, resulting in questioned costs of \$2,292 as follows:

A	B	C	D
Voucher Date	Service Units	Unit Cost Reimbursed	Questioned Cost (B*C)
September, 2010	134	\$12.00	\$1,608
January, 2011	50	\$12.00	\$ 600
February, 2011	7	\$12.00	\$ 84
Total	191		\$2,292

The Records and Audit Provisions Section of the Preventive Care Program contract states, "The operating agency shall maintain such records and accounts, including property, personnel, and financial records, as are deemed necessary to assure a proper accounting of all funds."

IAS was unable to determine if the Agency satisfactorily performed its obligations, under the work program as set forth in the Mission Statement and Objectives of the CDBG Preventive Care Program contract.

Non-compliance with the terms and conditions of the program contract may result in any or all of the following penalties and sanctions:

- Withholding of contract award
- Suspension of contract
- Withholding of reimbursements or payments
- Disqualification of the Agency and/or subcontractor(s) from eligibility or providing goods or services to the City for a period not to exceed one year

Recommendation

It is recommended that the Agency make available to IAS, the supporting documentation, and all other records pertinent to the Preventive Care Program activities or return \$2,292, the unsupported draw downs, to the City of St. Louis.

1. Continued...

Management's Response

On September 6, 2011, IAS provided the Agency with a draft report containing observations and the recommendations and requested a response by September 13, 2011. However, as of the date of this report, the Agency has not responded.

2. Appearance Of Conflict Of Interest

There is an appearance of a conflict of interest because the Agency's executive director is also the president of a for-profit corporation that provided transportation services to the Preventive Care Program participants for a fee.

Code of Federal Regulations (CFR) 570.611 (b) states, "The general rule is that no persons who exercise or have exercised any functions or responsibilities with respect to CDBG activities, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG assisted activity...."

Contract #10-10-02, Sanctions Section states that If, in the sole discretion of the Community Development Administration, the operating agency fails to comply with federal, state, and/or local laws and/or regulations, the non compliance with the terms and conditions of the program contract may result in any or all of the following penalties and sanctions:

- Withholding of contract award
- Suspension of contract
- Withholding of reimbursements or payments
- Disqualification of the operating agency and/or subcontractor(s) from eligibility for providing goods or services to the City for a period not to exceed one year

Recommendation

It is recommended that the Agency obtain a legal opinion to resolve the appearance of a conflict of interest.

Management's Response

On September 6, 2011, IAS provided the Agency with a draft report containing observations and the recommendations and requested a response by September 13, 2011. However, as of the date of this report, the Agency has not responded.

3. Opportunity For Board Of Directors To Oversee Agency's Operations (Repeated)

The Agency did not provide IAS the board of director's (Board) minutes for review. Board's minutes provide evidence of the Board's oversight of the Agency's operations.

Board's oversight of the Agency's operations is required to facilitate sound management decisions and to ensure the Agency's compliance with the federal, state, and local CDA requirements of the grant contract agreement.

The Agency did not have a system of internal control in place to ensure that its Board meets regularly (possibly monthly) to oversee the Agency's operations. Without adequate oversight of the Agency's operations the Board would not be able to make sound management decisions or ensure the Agency's compliance with the federal, state, and local CDA requirements under the grant contract agreement.

Recommendation

It is recommended that the Agency implement a system of internal control to ensure that the Board meets on a regular basis and minutes of each meeting are maintained.

Management's Response

On September 6, 2011, IAS provided the Agency with a draft report containing observations and the recommendations and requested a response by September 13, 2011. However, as of the date of this report, the Agency has not responded.