

Final Audit Follow Up

As of January 31, 2002



“City Grant to Bethel Community Development Corporation” (Report #0016, Issued July 25, 2000)

Report #0213

March 8, 2002

Summary

The Department of Neighborhood and Community Services (NCS) has completed all action plan steps identified in our previously issued report #0016, and our Audit Follow Up Report #0132, City Grant to Bethel Community Development Corporation (CDC). In audit report #0016, issued July 25, 2000, we identified areas in which Bethel CDC could improve its record keeping and documentation of disbursements. We also identified areas in which NCS could improve oversight and monitoring of its contract with Bethel CDC. Recommendations made were in response to a request for assistance by NCS for us to review the Bethel CDC contract and its records. NCS was receptive to the recommendations identified in the audit. The last step, to require Bethel CDC to submit copies of any audits to NCS and the City Auditor, is being closed out at this time. Efforts by Bethel CDC to obtain a compliance audit and fully meet the reporting needs of the City have not been successful. We recommend that, in the future, Bethel CDC obtain prior concurrence from the City for any auditors engaged to perform audits intended to meet the reporting needs of the City.

compliance with its City grant,

- NCS had performed timely monitoring of its grant with Bethel CDC for contract compliance, and
- Bethel CDC or NCS should take actions to increase accountability.

The audit scope included a review of available records at Bethel CDC and monitoring records and related correspondence at NCS. We did not audit nor make a determination of grant compliance for a State grant that Bethel CDC received from the Florida Department of Community Affairs.

To address the above objectives, we interviewed administrative staff of NCS and staff of Bethel AME Church who are responsible for administering the Bethel CDC. We also reviewed records maintained by Bethel CDC and NCS. The audit and this follow up audit were conducted in accordance with Generally Accepted Government Auditing Standards.

Report #0213

The purpose of this audit follow up is to report on the progress and/or status of the efforts to implement the recommended action plan steps due as of January 31, 2002. To obtain information, we conducted interviews with key department staff and reviewed relevant documentation.

Scope, Objectives, and Methodology

Report #0016

The scope of report #0016 was a review of the City Grant to Bethel Community Development Corporation (CDC) for the period August 1998 through April 2000.

Primary audit objectives were to determine whether:

- Bethel CDC had established adequate internal controls to account for and demonstrate

Previous Conditions and Current Status

In report #0016, we identified record keeping and documentation of disbursements as the main areas that Bethel CDC needed to address. While the City had provided Bethel CDC with only a minor amount of total available grant funds at the time of our review, we recommended that NCS more frequently monitor the Bethel CDC contract. As of January 31, 2002, all action plan tasks have been completed. Table 1 provides a summary of the conditions and tasks due.

**Table 1
Conditions Identified in Report #0016 and Current Status**

Previous Conditions	Current Status
Contract Administration Issues:	
<ul style="list-style-type: none"> Require monthly expenditure and activity reports from Bethel. 	<ul style="list-style-type: none"> ✓ Bethel CDC has been providing monthly reports since December 2000.
<ul style="list-style-type: none"> Assess the adequacy of Bethel CDC's internal control system. 	<ul style="list-style-type: none"> ✓ Bethel has hired a full time Project Manager. Housing Division staff meets regularly with the Project Manager, and, based on those meetings and documentation provided in the monthly reports, it appears that the CDC has instituted the necessary internal controls. The "Line Item Monthly Report of Expenditures" reflects the general ledger system, which has been implemented to track expenditures under the City grant.
<ul style="list-style-type: none"> Determine frequency of on-site fiscal and program monitoring. 	<ul style="list-style-type: none"> ✓ The standard monitoring policy is to conduct at least one on-site monitoring visit for subrecipients during the term of their contract. However, we recognize that some subrecipients may be at higher risk of problems and therefore call for a more frequent monitoring schedule. The primary objective of the monitoring visit is to determine contract compliance and to determine whether any technical assistance is needed by the agency. NCS will conduct quarterly monitoring visits with Bethel CDC under the next agreement.
<ul style="list-style-type: none"> Conduct meetings with the Florida Department of Community Affairs (DCA) staff to review the purpose of the City and State grants and determine if duplication of payment has occurred for the same service. 	<ul style="list-style-type: none"> ✓ Housing staff worked closely with the City Auditor during the initial review of the Bethel CDC's records. As a result of that review, it was determined that two lots which had been purchased for home construction had been charged to both the City and the State grants. The City subsequently deducted the cost of the two lots from the next payment to the CDC to compensate for the fact that the lots had been paid for with state grant revenue. The City Auditor and a representative of NCS met with an employee of the State to determine whether DCA was going to pursue any further review of their grant to Bethel CDC. The employee indicated that DCA was not going to conduct any further reviews and would honor an earlier determination by DCA staff that Bethel CDC had satisfied all the terms of the State grant and the grant was closed. <p><u>Auditor Comment:</u> In January 2001, Bethel CDC submitted an audit report to DCA intended to address State grants and aids audit requirements. We have reviewed the submitted report and are of the opinion that it does not meet the audit requirements of Section 216.349, Florida Statutes, or Chapter 10.600, Rules of the Auditor General. The report submitted was a "review" report, not an "examination" report, and therefore did not result in the expression of an opinion on Bethel CDC compliance with its state grant. NCS has done all that can reasonably be</p>

	<p>expected of them to obtain information relating to Bethel CDC compliance with its State grant.</p>
<ul style="list-style-type: none"> Request Bethel CDC to submit copies of any audits of Bethel CDC to NCS and the City Auditor. 	<ul style="list-style-type: none"> ✓ In February 2001, the Bethel CDC Project Manager met with the City Auditor and there was agreement as to the type audit needed to satisfy the action plan. The audit will contain an opinion on Bethel CDC's compliance with the terms and conditions of City grant requirements. <p><u>Auditors Comment:</u> In July 2001, the City Auditor provided the Bethel CDC Project Manager information to assist their independent public accountant in meeting the reporting needs of the City. The materials called for an auditor's opinion on Bethel CDC's compliance with its City grant.</p> <p>In October 2001, Bethel CDC submitted to the City an independent auditor's report, dated August 31, 2001, for Bethel CDC for the period January 1, 1997, to August 31, 2000. The report submitted was a financial statement audit, and the auditor issued an unqualified opinion on Bethel CDC's financial statements. The auditor also issued a report on compliance; however, the report specifically states that the auditor does not express an opinion on compliance.</p> <p>Subsequently, on October 24, 2001, Bethel CDC provided the City with another independent auditor's report that provided an opinion that Bethel CDC had complied with the terms of its state grant. To date, and although requested on several occasions, the City has not yet received an independent auditor's report that provides an opinion on Bethel CDC's compliance with its City grant.</p>

Table Legend:

- Issue addressed in the original audit

- ✓ Issue addressed and resolved

Conclusion

NCS staff and the City Auditor have consistently requested Bethel CDC to obtain an independent audit that includes an opinion on Bethel CDC's compliance with the requirements of the City grant. In addition, the Bethel CDC Project Manager is aware that audit reports submitted to the City do not include the requested compliance report. In our view, it would be more efficient and in the best interest of the City and Bethel CDC to move forward at this time. Based upon

our review of Bethel CDC records and monitoring performed by NCS, we are satisfied that City grant funds claimed by Bethel CDC have been earned.

We recommend that should Bethel CDC have a need to obtain the services of an independent auditor in the future, and if the auditor's report is to be relied upon by the City, Bethel CDC should require their independent auditor to meet with City representatives to clearly establish audit reporting requirements.

We appreciate the assistance provided by NCS, the Bethel CDC Administrator, and Bethel CDC Project Manager during this final audit follow up.

Appointed Official Response

City Manager Response:

We have reviewed the Final Audit Report and concur with the conclusion by the City Auditor that “it would be more efficient and in the best interest of the City and Bethel CDC to move forward at this time.” Since the outset of this audit review, staff from the City Auditor’s Office and the Department of Neighborhood and Community Services have worked closely with the Bethel Community Development Corporation to address noted deficiencies in their operations. Those deficiencies were primarily linked to lack of dedicated staff at the CDC and a lack of internal controls. As noted in the final report the CDC has taken affirmative steps to address these problems. The most significant action taken by the CDC was to hire Mr. Leroy Hill to serve as Executive Director for the Bethel CDC. Under Mr. Hill’s direction the CDC has instituted policies and internal controls to respond to the problems noted in the initial audit review. Specifically, the CDC has instituted internal procedures and is now providing the City with a monthly line item report of expenditures as part of its billing procedures. More importantly the CDC has exceeded its housing production goals under this contract by producing a total of five houses while the contract only required a total of four houses. Furthermore, the CDC has met the criteria to be

qualified as a Community Housing Development Organization (CHDO) which will allow them to compete for U.S. Housing and Urban Development (HUD) funds specifically set aside for CHDO’s.

Consistent with the Auditor’s recommendations, the Department of Neighborhood and Community Services has provided additional technical assistance to the Bethel CDC and is providing quarterly monitoring reviews to help the organization. Also, in the event there are audit requirements included in future contracts with the Bethel CDC, the City will retain the right to approve the independent auditor that will be used for that audit. Because of the restrictions placed on our grant funds by the Federal Office of Management and Budget, we cannot require an audit as part of our contract with the Bethel CDC unless the total amount of federal funds used exceeds \$300,000. The current grant authorizations to the Bethel CDC do not reach that threshold.

The Bethel CDC has added a total of nine affordable single-family homes to the Bond Community. The City of Tallahassee is committed to building capacity within the local non-profit community to allow these community based organizations to be the primary providers of affordable housing. We appreciate the assistance that the City Auditor has provided to help make the Bethel CDC a stronger organization.

Copies of this Final Audit Follow Up or audit report #0016 may be obtained from the City Auditor’s web site (<http://talgov.com/citytlh/auditing/index.html>), or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail, in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (dooleym@talgov.com).

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