

# **Audit**

## **Follow Up**

**As of March 31, 2001**



Sam M. McCall, CPA, CIA, CGFM  
City Auditor

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

**Report #0132**

**July 26, 2001**

#### **Summary**

**The Department of Neighborhood and Community Services (NCS) has completed or initiated all action plan steps identified in our previously issued report #0016, 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 records maintained by Bethel CDC. NCS was receptive to the recommendations identified in the audit and has completed four of five corrective action steps. NCS has initiated action on the one remaining step due as of March 31, 2001. The remaining step, to obtain an audit that addresses Bethel CDC compliance with its City grant, is to be submitted to NCS prior to the next scheduled follow up report, September 30, 2001.

- Bethel CDC or NCS should take actions to increase accountability.

The scope of the audit included a review of available records and bank account activity 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 #0132**

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 March 31, 2001. 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 compliance with its City grant,
- NCS had performed timely monitoring of its grant with Bethel CDC for contract compliance, and

#### **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. NCS has completed four of five (80%) of the action plan tasks due as of March 31, 2001. The remaining action plan task is scheduled for completion prior to the next follow up report, September 30, 2001. 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
<b>Contract Administration Issues:</b>	
<ul style="list-style-type: none"> <li>Require monthly expenditure and activity reports from Bethel.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Bethel CDC has been providing monthly reports since December 2000.</li> </ul>
<ul style="list-style-type: none"> <li>Assess the adequacy of Bethel CDC's internal control system.</li> </ul>	<ul style="list-style-type: none"> <li>✓ 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.</li> </ul>
<ul style="list-style-type: none"> <li>Determine frequency of on-site fiscal and program monitoring.</li> </ul>	<ul style="list-style-type: none"> <li>✓ 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.</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>✓ 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.</li> </ul> <p><u>Auditor Comment:</u> Bethel CDC submitted an audit report to DCA intended to address State grants and aids audit requirements. We have looked at 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 expected of them to obtain</p>

	information relating to Bethel CDC compliance with its State grant.
<ul style="list-style-type: none"> <li>Request Bethel CDC to submit copies of any audits of Bethel CDC to NCS and the City Auditor.</li> </ul>	<ul style="list-style-type: none"> <li>x The Bethel CDC Project Manager met with the City Auditor and there is agreement on the scope of an audit that would need to be conducted 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. Bethel CDC is in the process of obtaining that audit and expects to have it completed prior to the next follow up report, September 30, 2001.</li> </ul>

**Table Legend:**

- Issue addressed in the original audit

- ✓ Issue addressed and resolved
- x Issue not resolved

### Significant Outstanding Issues

As noted above, the only outstanding issue is the requirement for Bethel CDC to submit an audit report to NCS to show that grant expenditures comply with City grant requirements. The City Auditor met with the Bethel CDC Project Manager to ensure that the audit obtained meets the needs of the City.

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

### Appointed Official Response

**City Manager Response:**

We appreciate the time and assistance provided to Neighborhood and Community Services by the City Auditor. Neighborhood and Community Services has continued to request an audit from Bethel CDC. Neighborhood and Community Services has also advised Bethel that no more city funds will be provided to the CDC until the audit is completed to Neighborhood and Community Services' satisfaction.

Copies of this Audit Follow Up or audit report #0016 may be obtained 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](mailto:dooleym@talgov.com)).

Audit Follow Up conducted by:  
Sam M. McCall, CPA, CIA, CGFM, City Auditor