

Final Audit Follow Up

As of September 30, 2001



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City Auditor

“City Grant to the Housing Foundation, Inc.”

(Report #0105, Issued December 14, 2000)

Report #0205

December 13, 2001

Summary

The Department of Neighborhood and Community Services (NCS) has implemented all action plan steps developed as the result of our previously issued audit report #0105, City Grant to the Housing Foundation, Inc. In audit report #0105, issued December 14, 2000, we identified actions that should be taken to recover City funds expended by the Housing Foundation for unauthorized purposes as well as City funds advanced to, but not earned by, the Housing Foundation. In that report we also identified actions that should be taken by NCS to enhance accountability and the desired level of assurances in future grant contracts. As of September 30, 2001, NCS had developed and completed reasonable efforts to recover applicable funds from the Housing Foundation. Furthermore, NCS (1) ensured that subsequent grant contracts included appropriate terms that established the basis on which payments for administrative costs would be made and (2) ensured that written guidelines were developed to address documentation requirements for grant applicants and grantees.

The primary objectives of the audit were to determine whether:

- the Housing Foundation established adequate internal controls to account for and ensure compliance with its City grant,
- the Housing Foundation owed funds to the City for the unauthorized use of City grant funds, and
- NCS properly administered its contract with the Housing Foundation.

Report #0205

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 September 30, 2001. To obtain information, we conducted interviews with key staff of NCS and the City Attorney's Office and reviewed relevant documentation. This audit was conducted in accordance with Generally Accepted Government Auditing Standards, and accordingly included such tests of the records and other auditing procedures as were considered necessary.

Scope, Objectives, and Methodology

Report #0105

The scope of report #0105 was a review of available records and bank account activity of the Housing Foundation and records and related correspondence at NCS for the period March 1999 through September 2000.

Previous Conditions and Current Status

In report #0105, we identified two main areas that needed to be addressed: recovery of funds from the Housing Foundation and NCS contract administration practices. As of September 30, 2001, NCS completed all (100%) of the action plan tasks that were due. Table 1 provides a summary of the conditions and tasks due.

Table 1
Conditions Identified in Report #0105 and Current Status

Previous Conditions	Current Status
Recovery of Funds from the Housing Foundation	
<ul style="list-style-type: none"> Develop and follow an appropriate course of action to recover the \$4,944 from the Housing Foundation for project costs not paid to vendors. 	<ul style="list-style-type: none"> ✓ After various NCS written and verbal requests to the President of the Foundation’s board of directors to secure a formal audit and reimburse the funds, the matter was turned over to the City Attorney. The City Attorney filed a legal complaint on April 10, 2001, against the Foundation to seek recovery of the funds. After the Foundation did not respond to the complaint, the City obtained an order for final default judgment against the Foundation in August 2001. That judgment provides the Foundation owes the City a sum of \$8,344 for project costs not paid to vendors and unearned administrative funds. The judgment also provides that the Foundation owes the City an additional \$113.50 for legal costs and that the unpaid amounts shall bear interest at an annual rate of eleven percent.
<ul style="list-style-type: none"> Develop and follow an appropriate course of action to address the “unearned” administrative funds. 	<ul style="list-style-type: none"> ✓ Same as above.
<ul style="list-style-type: none"> Continue efforts to require the Housing Foundation to obtain the contractually-required audit. 	<ul style="list-style-type: none"> ✓ Same as above.
Contract Administration Issues	
<ul style="list-style-type: none"> Include in contractual agreements with grantees appropriate terms that establish the basis on which payments for administrative costs will be made. 	<ul style="list-style-type: none"> ✓ Subsequent contracts with other subrecipients contain terms that provide the basis on which payments for administrative costs will be made.
<ul style="list-style-type: none"> Develop written guidelines in determining documentation requirements for grant applicants and grantees. 	<ul style="list-style-type: none"> ✓ NCS has developed written procedures that require grant applicants to provide sufficient evidence that they have the financial and operating capacity to render the desired services. For example, detailed budgets and information are to be provided that allow an evaluation by City staff as to whether (1) budgeted costs are sufficient to meet program goals, (2) costs budgeted for the activity are otherwise reasonable, (3) budgeted administrative costs represent a reasonable percentage of the overall request, and (4) the applicant has the capacity to carry out the proposed activity and to assign qualified staff to the project. In addition, applicants are required to provide descriptions of their mission statement, local history, and funding sources. In regard to agencies awarded funds, standard contractual provisions provide for periodic (at least monthly) written reports that reflect expenditures incurred for the City-funded project.

Table Legend:

• Issue addressed in the original audit

✓ Issue addressed and resolved

**Significant Outstanding
Issues**

As noted above, NCS has taken appropriate steps to complete all of the action plan steps identified as the result of our initial audit.

We appreciate the assistance provided by NCS and the City Attorney's Office during this audit follow up.

Appointed Official Response

City Manager's Response:

We appreciate the assistance of the City Auditor in addressing these issues. We have enacted the recommended improvements to the contract monitoring procedures to enhance the process.

Copies of this Final Audit Follow Up or audit report #0105 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, or 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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