

CITY GRANT TO BETHEL COMMUNITY DEVELOPMENT CORPORATION

AUDIT REPORT #0016

JULY 2000



Copies of this report may be obtained 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@mail.ci.tlh.fl.us).



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MEMORANDUM

To: Mayor and City Commissioners

From: Sam M. McCall, City Auditor

Date: July 25, 2000

Subject: Report on an Audit of the City Grant to Bethel Community Development Corporation (#0016)

We have completed an audit of the City Grant to Bethel Community Development Corporation (#0016). We submit this report which contains our audit issues and recommended actions and the response from the City Manager. We will periodically review the implementation of recommended actions.

We thank the Administrator of the Bethel Community Development Corporation and the employees of the Department of Neighborhood and Community Services for sharing their knowledge and opinions in this cooperative effort.

Please let me know if you need further information or wish a briefing on this report.

Respectfully submitted,

Sam M. McCall
City Auditor

SMM/mbd
attachment

cc: Members of the Audit Committee
Appointed Officials
Executive Team
Thomas H. Lewis, Neighborhood and Community Services
Reverend John F. Green, Bethel Community Development Corporation
Paula G. Cook, Records Management Officer

An All-America City

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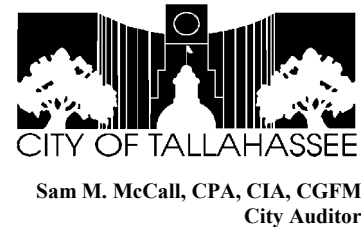
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“City Grant To Bethel Community Development Corporation”



Report #0016

July 25, 2000

Executive Summary

*The City has Provided
Bethel CDC only a Minor
Amount of Available
Grant Funds*

*Bethel CDC Needs to
Improve Record Keeping
and Documentation of
Disbursements*

*NCS Needs to More
Frequently Monitor the
Bethel CDC Contract*

Bethel CDC Needs to Improve Internal Controls Relating to Record Keeping and Documentation of Disbursements, and the City’s Department of Neighborhood and Community Services Needs to More Frequently Monitor Its Contract With Bethel CDC.

In October 1998, the City’s Department of Neighborhood and Community Services (NCS) entered into a contract with Bethel Community Development Corporation (CDC) to provide \$102,950 toward new construction or renovation of four homes in the Bond Community. As of April 2000, completion of the homes has not proceeded at the pace originally planned, and, as a result, the City has paid Bethel CDC only \$23,647 of available grant funds. To date, NCS has only paid City grant monies to Bethel CDC for documented expenditures or requested monthly operating subsidies.

In March 2000, the City Auditor received a request to conduct a review of the City’s contract with Bethel CDC. The purpose of this report is to provide the results of our review.

Based upon our review, Bethel CDC needs to improve its system of internal control to provide for increased accountability of grant funds. Specifically, Bethel CDC needs to establish appropriate general and subsidiary ledgers to provide for separate accountability for City and State grants. In addition, documentation of disbursements needs to be improved. We also recommend that the Bethel CDC Board of Directors oversee the implementation of suggested corrective actions contained in this report.

Our review showed that NCS needs to more frequently perform fiscal and program monitoring of its contract with Bethel CDC. Such monitoring should include receipt and review of monthly written activity and expenditure reports. Also, periodic on-site

monitoring should be performed with such frequency based upon NCS's assessment of Bethel CDC's system of internal control.

Until Bethel CDC Establishes Adequate Records, a Determination Cannot Be Made of Grant Compliance

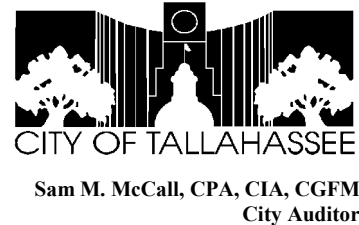
In addition to the City grant, Bethel CDC's bank account activity showed receipts and disbursements applicable to a \$48,678 State grant and additional contributions from private organizations and Bethel AME Church. Our review showed that record keeping and documentation deficiencies occurred at Bethel CDC after they received the State grant funds in August 1999, because they did not establish subsidiary records to separately account for City and State grant funds. Information provided to us in March 2000 from Bethel CDC shows a reallocation of expenditures to the State grant that had previously been charged to the City grant. Until such time as Bethel CDC establishes a general ledger and appropriate subsidiary ledgers to provide for separate City and State grant accountability, a proper audit of grant compliance cannot be performed. Therefore, we have not and cannot make a determination at this time of the amount of Bethel CDC disbursements that are applicable to the City grant. NCS and/or an independent auditor will make that determination when Bethel CDC grants are audited for City, State, and federal compliance.

Bethel CDC Needs to Take Immediate Corrective Actions to Ensure Accountability in Future Years

The Bethel CDC 1998-2000 Business Plan includes plans to request over \$600,000 from the City for this program for the three-year period ending September 30, 2001. In view of this planned grant request and the identified benefits for the community and its residents, we believe Bethel CDC needs to take immediate corrective actions to provide for improved record keeping in future years.

It is our opinion that the program's objectives continue to be to serve the Bond community and program participants. We would like to acknowledge the full and complete support of the Bethel CDC Administrator and NCS staff in this review. Further, we were assured by the Bethel CDC Administrator at the time of our review that corrective actions were in progress or would be taken to address the issues identified in this report.

“City Grant To Bethel Community Development Corporation”



Report #0016

July 25, 2000

Objectives, Scope, and Methodology

The objectives of this audit were to determine whether: (1) Bethel Community Development Corporation (CDC) has established adequate internal controls to account for and demonstrate compliance with its City grant; (2) the City’s Department of Neighborhood and Community Services (NCS) has performed timely monitoring of its grant with Bethel CDC for contract compliance; and (3) Bethel CDC or NCS should take actions to increase accountability.

The scope of this audit included a review of available records and bank account activity at Bethel CDC and monitoring records and related correspondence at NCS for the period August 1998 through April 2000. 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. This audit was conducted in accordance with Generally Accepted Government Auditing Standards.

Background

The City of Tallahassee and members of Bethel AME Church have worked cooperatively to develop the Bethel CDC through which the residents in the Bond community could be empowered to revitalize their neighborhood.

A CDC is a community-based non-profit corporation created under Florida Law, Chapter 617, Florida Statutes. To be a CDC, the non-profit corporation must:

- conduct or financially support revenue-generating businesses, with the purpose of economic and social development in its community;
- be based in a specific geographically targeted area; and
- be controlled by area stakeholders committed to enhancing community well being.

The City of Tallahassee has maintained a contractual relationship with Bethel CDC since 1995 when the City agreed to provide funding toward the renovation and/or construction of new single-family homes using the self-help development philosophy.

The City Approved a Grant in the Amount of \$102,950 for Use Toward Renovation and/or Construction of Four Homes for Qualified Applicants

The current contract between Bethel CDC and the City is for \$102,950 for the period September 1, 1998, to August 31, 1999. This contract was amended on September 28, 1999, to extend the contract period to March 31, 2000, and amended again on February 17, 2000, to extend the contract period to June 30, 2000. As of March 2000, the City of Tallahassee had paid only \$23,647 of the grant amount to Bethel CDC. Funds provided by the City are part of a Community Development Block Grant received from the U.S. Department of Housing and Urban Development. The Catalog of Federal Domestic Assistance (CFDA) number for this grant is 14218.

The purpose of the City grant is to either construct or renovate at least four quality homes which are to be sold to very low, low, or moderate income families in the Bond community. The homes are to be located in targeted areas, serve as strategic investments to inspire other owners to improve existing properties, and encourage revitalization of the immediate neighborhood. Based on 1990 census data, the median income in the Bond community is 32% of the overall city median income, and 85% of the population met the criteria for low and moderate income. Targeted buyers of homes are:

- residents and families interested in moving into the Bond neighborhood who can support a mortgage in the range of \$40,000 to \$50,000;
- households having very low, low, and moderate incomes (between \$13,770 and \$36,720 annually);
- primarily first-time homebuyers; and
- families who have sufficient cash available for a down payment.

The Bethel CDC Business Plan, which is not currently on schedule, calls for Bethel CDC to build or renovate a maximum of sixteen homes by 2000-2001 as follows:

Table 1
1998-2000 Bethel CDC Business Plan

Business Plan	1998-1999	1999-2000	2000-2001	Total
Homes to be Built/Renovated	4	10	16	30
City Funding to be Requested	\$102,950 ⁽¹⁾	\$209,699	\$305,399	\$618,048

⁽¹⁾ See Exhibit 1, page 16, that shows the 1998-99 budgeted categories of expenditures relating to the City grant.

The contract requires Bethel CDC to submit monthly written reports that address advances and expenditures, clients served, narrative information, and customer satisfaction survey results. The monthly reports should also include documentation of progress in construction activity and persons served.

Bethel CDC Also Received a State Grant for Program Administration that Has Not Been Audited

In October 1998, Bethel CDC also applied for an administrative grant (\$49,678) from the Florida Department of Community Affairs (DCA). The application requested support for a full time project director to be paid with State funds (\$22,000) and City leveraged funds (\$18,000), a ¾ time administrative assistant (\$18,720), and benefits for these two positions (\$8,958). The application was approved, and a contract was executed on June 23, 1999. On

August 9, 1999, DCA issued Bethel CDC a State warrant for the entire grant amount.

Our review of available records shows the following:

- Bethel CDC reported the delivery of all DCA grant services in July 1999.
- Bethel CDC received all DCA grant funds in August 1999.
- Only a very small portion of the DCA grant funds have been spent to support the DCA grant purpose.

The State grant had not been audited for State compliance at the time of our review. Therefore, the possible effects that such an audit can have on Bethel CDC and the City grant is not known at this time.

Issues Relating to Bethel CDC's Internal Control and Grant Compliance

We have reviewed the system of internal control established by Bethel CDC to account for and report disbursements applicable to a grant received from NCS in the amount of \$102,950. We are of the opinion that the Bethel CDC had not established an adequate system of internal accounting control to determine compliance with City and State grants.

At the time of our audit, records maintained by Bethel CDC were not adequate. The identified weaknesses in record keeping and documentation of disbursements are discussed below.

A General Ledger Was Not Maintained

During our review, a general ledger and chart of accounts was not available. At the time of our review in March 2000, records maintained by Bethel CDC did not meet records requirements in the contract with the City. That contract states:

The Agency shall maintain books, records, documents, and other evidence and accounting procedures and practices sufficient to reflect properly the amount received and disposition by the Agency of all compensation received for its work and services.

NCS monitoring reports indicated that any existing accounting records that previously existed were maintained on the home computer of the former Treasurer of Bethel CDC. However, the Treasurer is now deceased, and the extent and location of those records is not known.

Subsidiary Records Had Not Been Established to Provide for Separate Accountability by Grantor

Subsidiary records had not been established to distinguish between disbursements applicable to the City grant, a State grant, private contributions, and contributions from Bethel AME Church. During our review, grant funds received from the City, State grant funds from DCA, and contributions from private sources and Bethel AME Church had been deposited into the same bank account. Therefore, we requested the Bethel CDC Administrator to identify receipts as to the source and the reason for the deposit of monies into the Bethel CDC account. In addition, we requested the Administrator to identify checks written on the Bethel CDC bank account as to the:

- Purpose of the check
- Amount to be charged to the City grant
- Amount to be charged to the State grant
- Amount to be charged to some other account

While this information was helpful, it did not substitute for subsidiary records, was not on an accrual basis, and did not take into consideration certain adjusting entries and allocations of cost that would need to be made by Bethel CDC to properly account for these monies.

Prior Reviews of Bethel CDC by NCS also Identified Weaknesses in Internal Control

Prior reviews of Bethel CDC's records by NCS have also identified weaknesses in the system of internal control. A review of records made available to us by NCS showed that in 1997, the Director of NCS reported on Bethel CDC's performance. The Director noted that while there had been many positive actions, "The Bethel CDC needs to demonstrate that it has instituted the necessary organizational controls and structures to function as a nonprofit corporation." He further noted that in reviewing the

payment requests from the organization, NCS had become concerned that some of the basic business functions of the organization were not taking place. Before advocating funding for a second year, he recommended certain corrective actions, including an audit of Bethel CDC records. Subsequently, Bethel CDC obtained an audit for the period January 1, 1996, to March 31, 1997. In addition, NCS assisted Bethel CDC in obtaining technical advice from the U.S. Department of Housing and Urban Development that resulted in the development of a strategic business plan.

*Business Plan Accounting
and Management
Activities Were Not
Implemented*

Portions of Bethel CDC's 1998-2000 Business Plan (prepared in June 1998) have not been implemented. The Plan stated that an accountant would be identified to supervise the establishment of a chart of accounts, open new bank accounts, and establish a system of internal control for managing operating and development funds. Based on our current review, this was not done. The Business Plan also noted that in Year 1 Bethel CDC would initiate housing production with an active "Working Board" that would take responsibility for aspects of day-to-day project management and organizational administrative tasks. The Bethel CDC Business Plan also noted that the Board's role would change to broader policy formulation, fund raising, and community outreach when an Executive Director and Administrative Assistant were hired. Our review for the period October 1998 through March 2000 showed monies for administrative assistance were provided in the State grant; however, the positions were not filled. Based on our review and interviews with Bethel CDC and NCS staff, the Board has made progress relating to program outreach efforts; however, we believe the Board needs to take a more active role relating to oversight of Bethel CDC's fiscal management and reporting.

*Supporting
Documentation for Some
Disbursements Was Not
Initially Available*

At the time of our review, supporting documentation was not available for several disbursements from the Bethel CDC bank account. Bethel CDC records initially provided to us in March 2000 consisted of bank statements, canceled checks, incomplete disbursement documentation, and related contract information.

Upon inquiry, Bethel subsequently obtained and provided documentation to support most disbursements.

The Basis for Payment for Some Disbursements Was Not Readily Apparent nor Approved

Our review indicated that there was no written approval for the payments made to certain Bethel CDC officers/Board members. We identified two checks in the amount of \$3,000 each from the Bethel CDC bank account payable to the Bethel AME Church. The checks were signed by the Bethel CDC Administrator and the Treasurer of Bethel CDC, and then deposited into another bank account (One Church One Child) for which the Bethel CDC Administrator had sole bank signature authority. The Bethel CDC Administrator subsequently wrote a check to “Cash” from the One Church One Child account and received \$6,000. He reportedly paid himself \$3,000 and paid \$3,000 to the Treasurer of the Bethel CDC. The payments were identified by the Bethel CDC Administrator as representing services rendered on the City grant.

In addition, we noted one check deposited into the Bethel CDC account in the amount of \$4,396.80. Subsequently a check in that same amount was written on the Bethel CDC account made payable to and deposited into the Bethel One Church One Child account. Next, the Bethel CDC Administrator wrote a check to “Cash” in the above amount on the One Church One Child account reportedly representing services rendered by him to the Bethel CDC program.

In reviewing the \$4,396.80 deposit into the Bethel CDC account, we were informed that the check represented the return of funds to Bethel CDC for a lot sold to a client that was ineligible for the Bethel CDC program. The lot had originally been purchased with City grant funds. The City subsequently reduced an operating subsidy payment request from Bethel CDC for the cost of the lot. It is our view that the applicable amount of the lot proceeds originally paid with City grant funds should have been recorded in and returned to the City grant account. We recommend the proper recording of this transaction in Bethel CDC general and subsidiary records when they are established.

Upon further inquiry, we were informed that the Bethel CDC Board of Directors had not been requested to approve the above payments to the Bethel CDC Administrator or Treasurer. Also, there was not an approved contract describing services to be provided by these officers. In our discussions with the Bethel CDC Administrator, we were informed that the authority and his actions on behalf of Bethel CDC programs were implicit in his duties.

In reviewing the above events, program savings may have occurred. Especially, when one compares payments to the officers/Board members to what would have been paid to a full time project director. However, in the absence of an agreement as to the services to be rendered and the basis for payment, it is not possible for us, the Board, or others to make a determination of record of the basis for payment. Additionally, had Bethel CDC administrative positions been filled as called for in the grant requests and the 1998-2000 Business Plan, internal controls relating to record keeping and documentation of disbursements may have been addressed.

On May 9, 2000, the Bethel CDC Administrator informed us of the following:

“In a recent audit of financial transactions of the Bethel Community Development Corporation, Inc. (CDC), it was brought to my attention that three (3) checks made payable to the Bethel One Church One Child account lacked sufficient documentation. Therefore, as the chief administrator of Bethel and Bethel Community Development Corporation, I have reimbursed the Bethel CDC account for the funds expended in those three checks. A copy of the check payable to CDC in the amount of \$10,396.80 is enclosed for your records.”

The \$10,396.80 check represents payments to the Bethel CDC Administrator in the amount of \$7,396.80 and the Bethel CDC Treasurer in the amount of \$3,000. The Bethel CDC Administrator reimbursed the Bethel CDC for the entire amount.

***Issues Relating
to NCS
Monitoring of
the Bethel CDC
Contract***

We reviewed the City's NCS monitoring of its contract with Bethel CDC. It is important for NCS to be able to demonstrate that it has adequately and timely monitored the disbursement of funds provided to grant recipients. Such monitoring could include receipt and review of reports submitted to NCS and periodic on-site monitoring of Bethel CDC based upon NCS's assessment of Bethel CDC's system of internal control. The City's external auditors, in their annual financial audit of the City, review NCS monitoring activities. If material, the failure of a grant recipient to expend monies in accordance with grant terms and conditions could result in the external auditor recommending adjustments or additional disclosures in the City's annual financial statements.

The contract between the City and Bethel CDC requires written reports to be submitted to the City on a monthly basis. The reports are to address advances and expenditures, clients served, narrative information, and customer satisfaction survey results. The monthly reports should also include documentation of progress in construction activity and persons served.

*Monthly Written Reports
Relating to Grant Activity
Were Not Submitted to
NCS as Required by
Contract*

Monthly reports were not submitted to NCS. Our review showed that from October 1998 to March 2000, a period of approximately seventeen months, Bethel CDC submitted only two written reports. The first monthly report filed by Bethel CDC was dated January 12, 1999, and was received January 15, 1999. It covered the period September 1998 - December 1998. The second monthly report filed by Bethel CDC was dated October 29, 1999, and covered the period October 1998 - June 1999. We also noted that NCS performed an on-site monitoring of Bethel CDC in June 1999.

From July 1999 through March 2000, Bethel CDC disbursed \$38,741 for all programs. During this period, monthly reports identifying disbursements applicable to the City grant were not submitted to NCS, and, as a result, no City grant funds were paid to Bethel CDC.

Several Significant Bethel CDC Activities Occurred between July 1999 and March 2000

Several significant events occurred at Bethel CDC between July 1999 and March 2000. In October 1998, Bethel CDC applied for an administrative grant (\$49,678) from the Department of Community Affairs (DCA). In the application transmittal letter, the Bethel CDC Administrator stated that Bethel CDC lacked funding to cover expenses of hiring administrative support. The application requested support for a full time project director to be paid with State funds (\$22,000) and City leveraged funds (\$18,000), a $\frac{3}{4}$ time administrative assistant (\$18,720), and benefits for these two positions (\$8,958). These State grant funds were requested for administrative support of the City grant. The State grant application was approved, and a contract was executed on June 23, 1999. On August 9, 1999, DCA issued Bethel CDC a State warrant for the entire grant which amounted to \$49,678.

During our review, we met with NCS staff to confirm certain understandings relating to the Bethel CDC grant. Since NCS had not received monthly reports from Bethel for the months beyond June 1999, we inquired as to their knowledge about certain activities and reallocations of expenditures by Bethel CDC relating to the City grant. For example:

- A request for State grant funds was made to the Florida DCA in July 1999. One of the deliverables identified as complete and in support of receiving State grant funds was the purchase of four lots. At the time of the July 1999 requests, the four lots identified by Bethel CDC as applicable to the State grant had previously been paid for with City grant funds in June 1999. We noted in March 2000 that Bethel CDC reallocated the cost of two of these lots to the State grant.
- Of the four lots discussed above, the third lot was charged to Bethel AME Church in November 1999 because a client was determined not eligible for the program. As a result, the City has been charged for only one of the four lots originally purchased with City grant funds in June 1999.
- Our review of available records showed payments in August and November 1999 to the Bethel CDC Administrator and the Bethel CDC Treasurer, both Bethel officers and Board members. Previously, Bethel CDC had expressed intentions

to hire a project director to administer the City and State grant.

- A portion of the State funds had been used to purchase two lots in addition to the four lots identified in the City contract. The additional two lots were purchased in January and February 2000 bringing the number of lots acquired by Bethel CDC during our review period to a total of six lots.
- State grant monies had been used in November 1999 and January 2000 to pay a consultant a total of \$8,000 for services that appear unrelated to the State grant application and State contract. Previously, the Bethel CDC grant application to the State had indicated that State funds would be used to administratively support the City grant and related low income housing needs of eligible participants.

Since Bethel CDC did not submit written monthly activity and expenditure reports to NCS, we cannot state, in their absence, how or if the above activities would have been reported to NCS. We do believe, however, that the monthly submission of reports could have provided NCS an earlier opportunity to review, raise questions, and perform follow-up activities accordingly. We are of the opinion that NCS should obtain increased accountability over its grant with Bethel CDC through the City contract provision that requires Bethel to establish adequate accounting records.

We should note that, to date, NCS has only paid City grant monies to Bethel CDC for documented expenditures or requested monthly operating subsidies. To date, City grant payments have only amounted to \$23,647 of the available \$102,950 grant. For the most part, record keeping and documentation deficiencies occurred at Bethel CDC after they received the State grant funds in August 1999, because they did not establish subsidiary records to separately account for City and State grant funds. Information provided to us in March 2000 from Bethel CDC shows a reallocation of expenditures to the State grant that had previously been charged to the City grant.

Recommendations for Bethel CDC and NCS

As a result of our review of records at Bethel CDC and NCS and interviews of staff at the respective organizations, we recommend that certain actions be taken to provide for improved accountability of grant funds. Our recommendations are presented below.

Recommended Actions for Bethel CDC to Provide for Increased Accountability

The following actions should be taken by Bethel CDC to provide for increased accountability regarding its contract with the City:

- Bethel CDC should maintain records on a current basis and clearly distinguish between the allocation of revenues and expenditures to the City and to other grantors or funding sources.
- Bethel CDC should obtain the services of an accountant to establish a system of internal control and to properly maintain the Bethel CDC records. A general ledger and subsidiary ledgers as considered necessary should be maintained. If this is not done, and in fairness to Bethel CDC, an allowable expense may unknowingly be charged to a category not allowed in the City grant.
- Bethel CDC checks should be written directly to providers of services and not to “cash.”
- The Board’s approval for future compensation to any Bethel CDC Officer or Board member should be documented by an executed service contract and in the minutes.
- Bethel CDC should carefully examine each disbursement (past and future) paid from the City and the State grants and ensure proper allocation of costs based upon grant and contract requirements.
- Bethel CDC should provide monthly activity reports as required by the NCS contract.
- Bethel CDC should maintain proper documentation to support checks written against the bank account.

Recommended Actions for NCS to Provide for Increased Accountability

The following actions should be taken by NCS to provide for increased accountability over its contract with Bethel CDC:

- Monthly expenditure and activity reports should be submitted as provided for in the current contract with Bethel CDC.

- The frequency of on-site fiscal and program monitoring should be guided by NCS's assessment of the adequacy of Bethel CDC's system of internal control.
- Representatives of NCS should meet with the State of Florida Department of Community Affairs to jointly review the intended purpose of the City and the State grants and ensure no duplication of payment has occurred for the same service rendered.
- NCS should request Bethel CDC to provide NCS and the City Auditor copies of any additional audits that may be performed of the Bethel CDC contract.

Conclusion

It is our opinion that the program's objectives continue to be to serve the Bond community and program participants. We would like to acknowledge the full and complete support of the Bethel CDC Administrator and NCS staff in this review. Further, we were informed by the Bethel CDC Administrator at the time of our review that corrective actions were in progress or would be taken to address the issues identified in this report.

Response from Appointed Official

City Manager:

This audit was conducted at the request of the City Manager's Office, and in our opinion, some of the problems revealed during the audit would not have been discovered by NCS during normal grant contract management. As a result of the audit, NCS will continue to work with the Bethel CDC and provide more technical assistance in the future.

Copies of this Audit Report may be obtained 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@mail.ci.tlh.fl.us).

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

Exhibit 1 - Budgeted Expenditures

The City grant provides funding in the following amounts:

Description	Budget 1998-1999
New Construction Capital Subsidy (three homes x \$18,200 per home)	\$ 54,600
New Construction Program Delivery Fee (three homes x \$5,000 per home)	15,000
Purchase/Rehabilitation Capital Subsidy (one home x \$15,900)	15,900
Purchase Rehabilitation Program Delivery Fee (one home x \$5,000)	5,000
Operating Subsidy (\$1,037.50 x 12 months)	12,450
Total	<u>\$102,950</u>

Description of the above categories of budgeted expenditures

- Capital Subsidy - the City's contribution toward acquisition of property for construction of a home and/or toward the subsidy necessary to finance the gap between the actual costs of the construction loan and the mortgage amount for which individuals qualify. Capital subsidy funds are to be secured by means of a third mortgage at 0% interest. If the original purchaser occupies the home for seven years, the City forgives the third mortgage.
- Program Delivery Fee - a fee of \$5,000 per unit of new construction and substantial rehabilitation paid to Bethel CDC upon closing on the final mortgage conveying each unit to an income eligible client. The fee is paid directly to Bethel CDC upon receipt of evidence that the transaction has been completed.
- Operating Subsidy - for Bethel CDC development costs incurred in construction or rehabilitation of homes to include title searches, permits, fees, professional services of

attorneys and accountants, insurance, marketing efforts, property security, lot clearing, and office supplies. Monthly installments of \$1,037.50 paid to Bethel upon receipt of monthly reports required under the contract.

