



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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DARLENE GREEN
Comptroller

Internal Audit Section

DR. KENNETH M. STONE, CPA
Internal Audit Executive

April 21, 2010

Starr Meek, Executive Director
The Acts Partnership Corporation
4330 Shreve Avenue
St. Louis, MO 63115

RE: Community Development Block Grant (CDBG) (Project #2011-CDA13)

Dear Ms. Meek:

Enclosed is a report of the fiscal monitoring review of The Acts Partnership Corporation, a not-for-profit organization, Targeted Management Assistance Program, for the period January 1, 2010, through November 30, 2010. 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 Acts Partnership Corporation. Fieldwork was completed on March 4, 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 City of St. Louis, 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) 622-4723.

Respectfully,

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)**

**THE ACTS PARTNERSHIP CORPORATION
CONTRACT #10-36-17
CFDA #14.218**

FISCAL MONITORING REVIEW

JANUARY 1, 2010 THROUGH NOVEMBER 30, 2010

PROJECT #2011-CDA13

DATE ISSUED: APRIL 21, 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)
THE ACTS PARTNERSHIP CORPORATION
FISCAL MONITORING REVIEW
JANUARY 1, 2010 THROUGH NOVEMBER 30, 2010**

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INTRODUCTION

Background

Contract Name: The Acts Partnership Targeted Management Assistance Program

Contract Number: 10-36-17

Contract Period: January 1, 2010 through December 31, 2010

CFDA Number: 14.218

Contract Amount: \$86,785

The contract provided Community Development Block Grant (CDBG) funds to The Acts Partnership Corporation (Agency) to combat physical deterioration in the Penrose and O'Fallon neighborhoods through the development of affordable housing in these neighborhoods. The Agency was also required to work with the local businesses and organizations toward the improvement, property management, and beautification of the commercial district.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local Community Development Administration (CDA) requirements for the period January 1, 2010, through November 30, 2010, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by the Community Development Administration (CDA). Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on March 4, 2011.

Exit Conference

The Agency was offered the opportunity for an exit conference on April 13, 2011, but the Agency declined.

Management's Responses

The management's responses to the observations and recommendations identified in the report were received from the Agency on April 20, 2011. These responses have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not comply with the program's federal, state and local CDA requirements.

Status of Prior Observations

The Agency had not been previously reviewed by Internal Audit Section.

A-133 Status

According to a letter received from the Agency dated January 13, 2011, it did not expend \$500,000 or more in federal funds in its fiscal year ended June 30, 2010, and was not required to have an A-133 audit.

Summary of Current Observations

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

1. Opportunity to obtain Missouri sales and use tax exemption letter
2. Opportunity for board of directors to oversee Agency's operations
3. Opportunity to file monthly financial reports

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity To Obtain Missouri Sales And Use Tax Exemption Letter

Not-for-profit organizations are not required to pay sales and use taxes on qualified purchases. However, a not-for-profit organization must obtain a sales and use tax exemption letter from the state in order to be exempt from these taxes. It was noted that the Agency did not obtain Missouri sales and use tax exemption letter.

Missouri State requires a not-for-profit organization (501.C.3) to apply and obtain a Sales and Use tax exemption letter in order to be exempt from paying sales or use tax on qualified purchases.

According to the Agency, it was in the process of obtaining the Missouri sales and use tax exemption letter. A delay in submitting payroll information to the State of Missouri had held up the process. Consequently, the Agency may be paying sales or use tax on qualified program purchases that are not reimbursable by federal award.

Recommendations

It is recommended the Agency:

- Obtain the sales and use tax exemption letter from the State of Missouri.
- Establish procedures to ensure vendors do not charge sales or use tax on the federal award's qualified purchases.

Management's Response

It is correct that at the time of the fiscal review we did not have a current Sales tax exemption letter. We have since submitted all the required paperwork to the State, and are currently awaiting the approval of our application.

2. Opportunity For Board Of Directors To Oversee Agency's Operations

The Agency did not keep minutes of the board of directors' meetings. Consequently, Internal Audit Section could not determine if the board of directors provided adequate oversight to the Agency's operations.

Sound business practice requires that minutes be taken at each board meeting. These minutes provide evidence of the board's oversight to the organization's operations.

The Agency did not have a system of internal control in place to ensure that minutes are maintained of the matters discussed at the board meetings. Without the board minutes it could not be determined if the board provided adequate oversight to the Agency's operations. Such oversight is necessary to ensure that the Agency would continue to be in operation for the foreseeable future and is meeting the objectives of the federal grant.

Recommendations

It is recommended that the Agency establish procedures to ensure:

- Minutes are maintained of the matters discussed at the board meetings.
- Matters requiring action subsequent to the meeting are followed-up at the next meeting.

Management's Response

It is correct that the Board of Directors did not keep official records of minutes in 2010. The board has since appointed a Board Secretary who is responsible for recording this information, and all minutes of board meetings are being kept on file at the Agency's office.

3. Opportunity To File Monthly Financial Reports

The Agency did not submit any of the monthly financial reports to the City of St. Louis Federal Grants for the period of the review. Financial report provides information on the financial health of an organization. It also shows if an organization is meeting its objectives and will continue to be in operations for the foreseeable future.

CDA regulations require the Agency to submit its monthly financial reports by 10th of the month following the reporting period.

The executive director of the Agency stated that the Agency was new and did not have proper training to complete the monthly financial reports. By not preparing and submitting the monthly financial reports, the Agency is at risk of losing the grant funds.

Recommendations

It is recommended that the Agency comply with CDA regulations and establish a system of internal control to ensure monthly financial reports are prepared and submitted to the City in a timely manner.

Management's Response

It is correct that the Agency did not submit monthly financial reports in 2010. We will be complying with this requirement in 2011. Monthly financial reports will be submitted to Federal Grants, monthly, by the 10th of the month.