



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



**FILE COPY**

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Comptroller

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DR. KENNETH M. STONE, CPA  
Internal Audit Executive

February 16, 2012

Susan Anderson, Executive Director  
Dutchtown South Community Corporation  
4204 Virginia  
St. Louis, MO 63111

RE: Community Development Block Grant (CDBG) (Project #2012-CDA12)

Dear Ms. Anderson:

Enclosed is a report of the fiscal monitoring review of the Dutchtown South Community Corporation, a not-for-profit organization, CDBG Program, for the period January 1, 2011, through August 31, 2011. 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 Dutchtown South Community Corporation. Fieldwork was completed on November 18, 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) 657-3490.

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  
**CITY OF ST. LOUIS**

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**DUTCHTOWN SOUTH COMMUNITY CORPORATION  
CONTRACT #11-31-53  
CFDA #14.218**

**FISCAL MONITORING REVIEW**

**JANUARY 1, 2011 THROUGH AUGUST 31, 2011**

**PROJECT #2012-CDA12**

**DATE ISSUED: FEBRUARY 16, 2012**

**Prepared by:  
The Internal Audit Section**



OFFICE OF THE COMPTROLLER  
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**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
DUTCHTOWN SOUTH COMMUNITY CORPORATION  
FISCAL MONITORING REVIEW  
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## INTRODUCTION

### Background

**Contract Name:** Dutchtown South Community Corporation.

**Contract Number:** 11-31-53

**Contract Period:** January 1, 2011 through December 31, 2011

**CFDA Number:** 14.218

**Contract Amount:** \$154,042

The contract provided Community Development Block Grant (CDBG) funds to Dutchtown South Community Corporation (Agency) to combat physical deterioration in the Dutchtown neighborhood through the renovation and rehabilitation of housing units within Dutchtown's geographic area.

### 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, 2011, through August 31, 2011, 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 CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on November 18, 2011.

### Exit Conference

The Agency was offered the opportunity for an exit conference February 8, 2012, but the Agency declined.

### Management's Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on February 16, 2012. These responses have been incorporated into this report.

## SUMMARY OF OBSERVATIONS

### Conclusion

The Agency did not fully comply with federal, state and local CDA requirements.

### Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2011-CDA7, issued February 15, 2011, noted two observations:

1. The Opportunity to pay State Unemployment Tax (SUTA) (**Resolved**)
2. Opportunity to improve cash management. (**Repeated. See current observation #2**)

### A-133 Status

According to a letter received from the Agency dated July 13, 2011, it did not expend \$500,000 or more in federal funds in its calendar year and, therefore, 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 file IRS Form 990 in a timely manner
2. Opportunity to provide adequate accounting records (Questioned cost, \$877.51)
3. Opportunity to submit monthly financial reports

## DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

### 1. Opportunity To File IRS Form 990

The Agency did not file its IRS Form 990 for the year ended December 31, 2010.

Not-for-profit organizations, with annual gross receipts of \$25,000, are required to file an IRS Form 990 by 15th of the fifth month following the end of the fiscal / calendar year, and make the Form available for public inspection for a period of three years.

The Agency did not have a system of internal controls in place to ensure the IRS Form 990 was prepared and filed by the due date.

The Agency could be fined \$20 per day up to a maximum of \$10,000 per year. The Agency may also lose its tax-exempt status.

#### **Recommendation**

It is recommended that the Agency file the past due 2010 IRS Form 990 as soon as possible and establish a system of internal controls to ensure it is filed timely in the future.

#### ***Management's Response***

*The 2010 financial records were in disarray and took considerable time to resolve and provide adequate information for the report. Upon my start date at DSCC in June of 2011, a formal procedure for financial records was initiated. This will ensure the ability to file all tax documents in a timely fashion.*

**2. Opportunity To Provide Adequate Accounting Records And To Improve Cash Management (Questioned cost, \$877.51)**

The following non-payroll expenses claimed by the Agency on the March 2011 Request for Reimbursement could not be traced to its accounting records and bank statements. Consequently, it could not be determined if these expenses were incurred and paid:

<b>Vendor</b>	<b>Invoice Date</b>	<b>Invoice Amount</b>	<b>Reimbursement Date</b>	<b>Reimbursement Amount</b>
Midwest Alarm Plus	2/1/2011	\$54.00	4/1/11	\$18.00
Ameren UE	2/17/2011	\$95.99	4/1/11	\$26.51
Creative Litho	3/4/11	\$725.00	5/4/11	\$725.00
St. Louis American	3/31/11	\$108.00	3/24/11	\$108.00
<b>Total</b>				<b>\$877.51</b>

Section 2.10 ( Cash Management) of the CDA Operating Agency Fiscal Procedures Manual states that an Operating Agency must disburse the reimbursed grant funds, for expenses incurred by the Agency, within three working days of receipt.

Funds that are not disbursed within the three-day period must be returned immediately to the City.

The Agency did not have a system of internal controls in place to ensure compliance with CDA grant funds disbursement requirements.

Non-compliance with CDA grant-fund disbursement requirements may result in suspension or termination of the grant contract.

**Recommendation**

It is recommended that the Agency:

- Establish a system of internal controls to ensure compliance with CDA grant-fund disbursement requirements.
- Repay the City \$877.51 for the expenditure reimbursed with grant funds that could not be traced to the Agency's bank statements.

***Management's Response***

*The four outstanding checks were written at the end of the Acting Executive Director's tenure at DSCC. Reimbursement from CDA was received but the original checks have been confirmed as not being cashed. A stop payment has been issued and new checks have been written and mailed to each payee. (Copy attached)*

## 2. Continued...

### **Auditor's Comment**

The copies of the stop payment notice and new cancelled checks were not attached to the management's responses.

## 3. Opportunity to submit Monthly Financial Reports

The Agency did not file the required monthly financial reports for the review period.

The CDA grant contract agreement states, "...the Operating Agency shall be required to submit monthly financial reports to the Comptroller's Office-Federal Grants Section no later than the 10<sup>th</sup> calendar day following the reporting month."

The Agency did not have a system of internal control in place to ensure compliance with the grant contract reporting requirements.

Non-compliance with the grant contract reporting requirement may cause a delay or suspension in the processing of reimbursement requests resulting in the interruption in the Agency's services to clients.

### **Recommendation**

It is recommended that the Agency comply with the grant contract's reporting requirements and submit the financial reports by the required due dates.

### ***Management's Response***

*I was not aware of this requirement and have not found any copies of previous reports submitted or any blank forms. Upon review of the 2005 Operating Agency Fiscal Procedures Manual, I did find a reference and what is to be included in the report. I will contact our CDA Fiscal Monitor (Antoinette Clark) for a blank copy of the report.*