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CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA
Internal Audit Executive

FILE COPY

October 23, 2012

Sean Spencer, Executive Director
Shaw Neighborhood Housing Corporation
4067 Shenandoah
St. Louis, MO 63110

RE: Community Development Block Grant (CDBG) and American Recovery and Reinvestment Act (ARRA) (Project #2012-CDA38)

Dear Mr. Spencer:

Enclosed is a report of the fiscal monitoring review of the Shaw Neighborhood Housing Corporation, a not-for-profit organization, CDBG and ARRA Programs, for the period January 1, 2011, through December 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 Shaw Neighborhood Housing Corporation. Fieldwork was completed on April 25, 2012.

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, CGMA
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)
AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)**

**SHAW NEIGHBORHOOD HOUSING CORPORATION
CONTRACTS #11-31-24 AND #CDBGR-8
CFDA #14.218 & #14.253**

FISCAL MONITORING REVIEW

JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

PROJECT #2012-CDA38

DATE ISSUED: OCTOBER 23, 2012

**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)
AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)
SHAW NEIGHBORHOOD HOUSING CORPORATION
FISCAL MONITORING REVIEW
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INTRODUCTION

Background

Contract Name: Shaw Neighborhood Housing Corporation

Contract Numbers: 11-31-24
CDBGR-8

Contract Periods: January 1, 2011 through December 31, 2011 (11-31-24)
January 1, 2010 through September 30, 2012 (CDBGR-8)

CFDA Numbers: 14.218 (CDBG)
14.253 (CDBGR-8)

Contract Amounts: \$ 69,396 (11-31-24)
\$100,000 (CDBGR-8)

The contracts provided Community Development Block Grant (CDBG) and American Recovery and Reinvestment Act (ARRA) funds to Shaw Neighborhood Housing Corporation (Agency) to combat physical deterioration in the Shaw neighborhood by purchasing abandoned/foreclosed properties for redevelopment and partnering with private developers to rehab derelict buildings and sell them to owner/occupants, either immediately or subsequently through the use of federal and state historic tax credits.

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 December 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 April 25, 2012.

Exit Conference

An exit conference was offered to the Agency on October 9, 2012, but the Agency declined.

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-CDA33 issued August 10, 2011, contained no observations.

The Agency's previous fiscal monitoring report, Project #2011-CDA2 issued March 16, 2011, contained three (3) observations:

1. Opportunity to have two (2) duly authorized signatures on checks (**Resolved**)
2. Opportunity to submit monthly reports in a timely manner (**Resolved**)
3. Opportunity to file IRS form 990 in a timely manner (**Repeated**)

A-133 Status

According to a letter received from the Agency dated April 20, 2012, it did not expend \$500,000 or more in federal funds in its calendar year ended December 31, 2011; therefore, it was not required to have an A-133 audit.

Summary of Current Observations

A recommendation was made for the following observation, which if implemented, could assist the Agency in fully complying with federal, state, and local CDA requirements.

- Opportunity to file IRS form 990 in a timely manner

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Opportunity to File IRS Form 990 In A Timely Manner (Repeated)

The Agency filed its 2010 IRS Form 990 on June 14, 2011. This form was due on May 15, 2011. The Agency did not provide documentation of filing an automatic three month-extension, which would have extended the due date to August 15, 2011.

According to US Code Title 26, Section 6033 (a) (1), "...every organization exempt from taxation under section 501 (a) shall file an annual return, stating specifically the items of gross income..." Form 990 must be filed by the 15th day of the 5th month after the organization's accounting period.

The Agency did not have a system of internal controls in place to ensure compliance with the federal filing requirements for IRS Form 990.

According to US Code Title 26, Section 6652 (c) (1) (A), a penalty of \$20 a day, not to exceed the smaller of \$10,000 or 5% of the gross receipts of the entity for the reporting period, can be charged when a return is filed late. In addition, CDA may delay processing of reimbursement requests, suspend, or terminate funding.

Recommendation

It is recommended that the Agency establish and implement a system of internal controls to ensure compliance with the federal filing requirements for IRS Form 990.

Management's Response

Your audit revealed SNHC filing of Federal 990 was completed on June 14, 2011 instead of the original due date of May 15th 2011 (29 days past the original due date). Our accountant filed for an extension, which was granted and there was no late fines added to our account. The 990 was essentially filed on time with the extension. When asked, our accountant could not locate the filed extension and therefore, SNHC was unable to provide the documentation.

Base on the accountant's inability to produce the properly filed extension, SNHC hired a new accountant and we have been on time without the need of an extension for all payroll tax and city, state, federal tax requirements.

In addition to hiring a new accountant, SNHC will report 990 tax filings at the proceeding SNHC Board meeting in an effort to make sure all the Board members are informed on our effort to comply with all requirements.