



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

August 18, 2011

Rachael Witt, Executive Director
South Grand Community Improvement District
3203-A S. Grand
St. Louis, MO 63118

RE: Community Development Block Grant (CDBG) (Project #2011-CDA34)

Dear Ms. Witt:

Enclosed is a report of the fiscal monitoring review of the South Grand Community Improvement District, a not-for-profit organization, CDBG Program, for the period January 1, 2010, through December 31, 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 South Grand Community Improvement District. Fieldwork was completed on July 22, 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 CITY OF ST. LOUIS

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

**SOUTH GRAND COMMUNITY IMPROVEMENT DISTRICT
CONTRACT #CDBGR-7
CFDA #14.253**

FISCAL MONITORING REVIEW

JANUARY 1, 2010 THROUGH DECEMBER 31, 2010

PROJECT #2011-CDA34

DATE ISSUED: AUGUST 18, 2011

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
SOUTH GRAND COMMUNITY IMPROVEMENT DISTRICT
FISCAL MONITORING REVIEW
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INTRODUCTION

Background

Contract Name: South Grand Business District Parking Improvement

Contract Number: CDBGR-7

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

CFDA Number: 14.253

Contract Amount: \$100,000

The contract provided Community Development Block Grant (CDBG) fund to South Grand Community Improvement District (Agency) to improve the current South Grand Business District's parking lot. Improvement added current fencing, drainage systems, curbs, landscaping, sidewalks, lighting and gates. In addition, the community will use the improved parking lot for public events such as movie nights.

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 December 31, 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 July 22, 2011.

Exit Conference

The Agency was offered the opportunity for an exit conference on August 10, 2011, 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 August 11, 2011. These responses have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

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

Status of Prior Observations

This was the Agency's first fiscal monitoring review.

A-133 Status

According to a letter received from the Agency dated July 20, 2011, it did not expend \$500,000 or more in federal funds in its fiscal year ended June 30, 2011, and was not required to have an A-133 audit.

Summary of Current Observations

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

- Opportunity for two duly authorized signatures on checks

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPOSE

Opportunity For Two Duly Authorized Signatures On Checks

The Agency required only one authorized signatures on federal award disbursement checks. Three checks written to First American Title Insurance Company had only one authorized signature. Check #2983 dated 11/30/2010 was in the amount of \$1,925.00; check #3083 dated 5/17/2011 was in the amount of \$44,306.57; and check #3039 dated 3/7/2011 was in the amount of \$53,704.43.

Section III – “Requesting Funds,” of the CDA Policy and Procedure Manual states that disbursement checks shall be pre-numbered and signed by the chief executive officer and the financial officer or any two duly authorized signatures.

According to the Agency, the president of the Agency’s board was not available and the executive director received a verbal approval from the president because the title company needed the checks as soon as possible.

Non-compliance with the check signing requirements of the CDA Policies and procedures may increase the risk of misappropriation of the federal funds. In addition, it could also result in suspension or termination of the federal award.

Recommendation

It is recommended that the Agency implement a system of internal to ensure that:

- The chief executive officer and the financial officer or any two duly authorized officers sign all federal award disbursement checks in compliance with the requirements of the CDA Policy and Procedures Manual.

Management's Response

Thank you for observing the error of one signature that was made to the checks submitted to First American Title Insurance Company. The South Grand Community Improvement Districts board of directors added to the internal controls under the section titled disbursements; the 7th bullet:

“A second signature is required for all checks over \$2,500 and are obtained and signed by the Executive Director prior to the disbursement date except for reoccurring bills governed by contract. The second signature is obtained from another officer of the corporation in the following order of priority. President, Vice President, Secretary, and Treasurer. All invoices or statements received with proper documentation shall be paid and dispersed within thirty (30) days of receipt unless receipt of the good or service is in question.”

Auditor's Comment

CDA's Policy and Procedure Manual states that all disbursement checks shall be pre-numbered and signed by the chief executive officer and the financial officer or any two duly authorized signatures.