



# CITY OF ST. LOUIS

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

**RIVERVIEW WEST FLORISSANT HOUSING CORPORATION  
CONTRACT #12-31-55, #12-36-13, #12-36-55, 12-HM-36-55  
CFDA #14.218 AND CFDA #14.239**

**FISCAL MONITORING REVIEW**

**JANUARY 1, 2012 THROUGH OCTOBER 31, 2012**

**PROJECT #2013-CDA19**

**DATE ISSUED: MARCH 7, 2013**

**Prepared by:  
The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA  
Internal Audit Executive

**FILE COPY**

March 7, 2013

Antoinette Cousins, Executive Director  
Riverview West Florissant Housing Corporation  
6058 West Florissant  
St. Louis, MO 63136

RE: Community Development Block Grant (CDBG) (Project #2013-CDA19)

Dear Ms. Cousins:

Enclosed is a report of the fiscal monitoring review of the Riverview – West Florissant Housing Corporation, a not-for-profit organization, CDBG Programs, for the period January 1, 2012, through October 31, 2012. 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 Riverview West Florissant Housing Corporation. Fieldwork was completed on January 22, 2013.

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

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## INTRODUCTION

### Background

**Contract Name:** Riverview West Florissant Housing Corporation.

**Contract Number:** 12-31-55, 12-36-13, 12-36-55 and 12-HM-36-55

**Contract Period:** January 1, 2012 through December 31, 2012

**CFDA Number:** 14.218 (12-31-55, 12-36-13, and 12-36-55)  
14.239 (12-HM-36-55)

**Contract Amount:** \$182,025 (12-31-55)  
\$125,761 (12-36-13)  
\$623,425 (12-36-55)  
\$ 52,800 (12-HM-36-55)

The contracts provide Community Development Block Grant (CDBG) fund to Riverview West Florissant Housing Corporation (Agency) to identify nuisance properties within the 2<sup>nd</sup>, 3<sup>rd</sup>, and 27<sup>th</sup> wards and work with the property owners to eliminate nuisance conditions or behaviors. Undertake neighborhood improvements; housing, commercial and economic development activities needed to revitalize the neighborhood. Provide loan closing services for low and moderate income homeowners participating in the program.

### 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, 2012, through October 31, 2012, 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 January 22, 2013.

### Exit Conference

The Agency was offered the opportunity for an exit conference on February 25, 2013, but the Agency has not responded.

## 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 #2012-CDA16, issued March 30, 2012 noted three observations:

- Opportunity to improve asset management, questioned cost \$729.99 (**Not Resolved**)
- Opportunity to improve cash management, questioned cost \$5,486.62 (**Not Resolved**)
- Opportunity to comply with eligibility requirements (**Not Resolved**)

### A-133 Status

The Agency expended \$500,000 or more in federal funds for the year ended December 31, 2011; but the Agency has not submitted the A-133 audit report to IAS as of the review period.

### 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 file A-133 audit Report in a timely manner
3. Opportunity to improve on going concern issue
4. Opportunity to provide MO Unemployment Tax documents

## **DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES**

### **1. Opportunity To File IRS Form 990 In A Timely Manner**

A review of the Agency's tax filings revealed that the Agency did not file its IRS Form 990 for the year ending December 31, 2011.

Not for profit organizations, with annual gross receipts of \$25,000 or more, are required to file an IRS Form 990 by the 15<sup>th</sup> of the fifth month following the end of the fiscal/calendar year. The Agency is also required to make the forms available for public inspection for a period of three years.

As of the date of this review the office manager has not provided a copy of the 990 to Internal Audit Section (IAS).

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

#### **Recommendation**

It is recommended that the Agency file its IRS Form 990 for the year ending 2011 and make the forms available for inspection.

#### ***Management's Responses***

*The Agency was given seven business days to respond to the observation and recommendations noted in the report. As of the date of this report, the Agency had not responded.*

### **2. Opportunity To File An A-133 Audit for 2011 In A Timely Manner**

The Agency did not submit a copy of its A-133 audit for the year ending December 31, 2011 to the (IAS) of the Comptroller's Office as required by OMB Circular A-133 or to the Federal Audit Clearinghouse (FAC). The report was due September 30, 2012.

OMB Circular A-133 and CDA's policy and procedure require Non-Federal Organizations expending \$500,000 or more in federal awards during their fiscal/calendar year, to have a program specific audit conducted for that year in accordance with A-133 provisions no later than 9 months after the end of the fiscal year.

As of the date of this review the office manger has not provided a copy of the A-133 audit report to IAS.

Failure to comply with the requirement may result in the withholding of some or all of the federal awards until the A-133 audit is completed. The Agency also risk the federal awards, being terminated.

### **Recommendation**

It is recommended the Agency comply with the requirement and submit the A-133 Audit report to the FAC and IAS.

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

*The Agency was given seven business days to respond to the observation and recommendations noted in the report. As of the date of this report, the Agency had not responded.*

### **3. Opportunity To Improve Going Concern Issue**

Based on the Agency's Statements of Financial Position as of October 31, 2012 and September 30, 2011, the Agency appears to have a going concern issue. Going concern measures the entity's ability to realize assets, discharge liabilities in the normal course of business, and generate sufficient resources to stay operational. In addition, the Agency is having difficulty paying its payroll taxes (\$91,325.62 as of October 31, 2012 balance sheet) and filing required tax returns and audits (see Observations 1. and 2.)

The Net Working Capital for October 31, 2012, current assets less current liabilities, was negative \$438,311.65 and for September 30, 2011 it was negative \$321,226.24.

The negative working capital and tax and reporting issues may limit the Agency's ability to continue operations and to provide the services as required by its contract. There is also the risk that funding sources may consider these going concern issues as signs of increased risk and may discontinue funding.

### **Recommendation**

It is recommended that the Agency implement an effective working capital management system, pay the required taxes, prepare the required tax returns and Single Audit, and seek additional funding sources to achieve a more positive financial outlook.

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

*The Agency was given seven business days to respond to the observation and recommendations noted in the report. As of the date of this report, the Agency had not responded.*

#### **4. Opportunity To Provide MO Unemployment Taxes Documents**

The Agency did not provide an approval letter to verify the Agency's election to reimburse the funds for MO Unemployment Taxes.

Nonprofit organizations with a federal exemption under Section 501(c)(3) of the Internal Revenue Code have the option to elect to reimburse the Missouri Unemployment Compensation Fund for the amount of Unemployment Insurance benefits paid instead of paying a quarterly tax.

Such an election must be made in writing either:

1. Within 30 days of the date the original notice of Liability is mailed; or,
2. At least 30 days prior to January 1<sup>st</sup> of a calendar year for which such election shall be effective. A contribution employer who chooses to change to the reimbursable method must stay reimbursable for two calendar years

Upon approval of an election to reimburse the funds, the employer will remain in that status until a request for termination of the election is filed at least 30 days prior to January 1<sup>st</sup> of the calendar year of termination.

The Agency does not have a system of internal controls in place to ensure that the MO Unemployment Tax documents are kept on file.

Failure to respond to the unemployment claim within a relatively short time limit (10 days or less in most states) will generally result in an unfavorable decision regardless of how strong your case is.

#### **Recommendation**

It is recommended the Agency provide the approval letter of an election to reimburse the fund for MO Unemployment Taxes.

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

*The Agency was given seven business days to respond to the observation and recommendations noted in the report. As of the date of this report, the Agency had not responded.*