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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

November 3, 2008

Vernice Glover-Washington, Director
Vaughn Tenant Association
Elmer Hammond Day Care Center
1920 Cass Avenue
St. Louis, MO 63106

RE: Fiscal Monitoring Review of Vaughn Tenant Association, Community Development Block Grant (CDBG), Contracts #06-11-36 and #07-11-36, CFDA #14.218 (Project #2008-CDA17)

Dear Ms. Glover-Washington:

Enclosed is a report of our fiscal monitoring review of Vaughn Tennant Association, a not-for-profit organization, CDBG-Elmer Hammond Day Care, for the period January 1, 2006 through December 31, 2007. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Vaughn Tennant Association. Our fieldwork was completed on December 28, 2007.

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 Internal Audit at (314) 622-4723.

Sincerely,


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)

*VAUGHN TENANT ASSOCIATION - ELMER HAMMOND DAY CARE
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)*

*CONTRACTS #06-11-36 AND #07-11-36
CFDA #14.218*

*FISCAL MONITORING REVIEW
JANUARY 1, 2006 THROUGH DECEMBER 31, 2007*

PROJECT #2008-CDA17

DATE ISSUED: NOVEMBER 3, 2008

*Prepared by:
The Internal Audit Section*



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
VAUGHN TENANT ASSOCIATION
ELMER HAMMOND DAY CARE
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
FISCAL MONITORING REVIEW
JANUARY 1, 2006 THROUGH DECEMBER 31, 2007**

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ELMER HAMMOND DAY CARE
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INTRODUCTION

Background

Contract Name: Elmer Hammond Day Care

Contract Numbers: 06-11-36
07-11-36

CFDA Number: #14.218

Contract Periods: January 1, 2006 through December 31, 2006 (06-11-36)
January 1, 2007 through December 31, 2007 (07-11-36)

Contract Amounts: \$20,000 (06-11-36)
\$20,000 (07-11-36)

The contracts provided Community Development Block Grant (CDBG) to the Vaughn Tenant Association (Agency) for quality day care services, nutritious meals such as breakfast, lunch and an afternoon snack. Their educational activities/services teach self-esteem and conflict resolutions. Other services include mental, physical, educational and social growth to prepare each child for entry into the elementary school system.

Purpose

The purpose of our review was to determine the Agency's compliance with federal (including OMB Circular A-133), state and local CDBG requirements for the period January 1, 2006 through December 31, 2007 and make recommendations for improvements as necessary.

Scope and Methodology

We made inquiries regarding the Agency's internal controls relating to the grant administered by the CDA, tested evidence supporting the reports the Agency submitted to CDA and performed other procedures considered necessary. Our fieldwork was completed on December 28, 2007.

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INTRODUCTION

Exit Conference

The Agency was offered an exit conference on October 7, 2008, along with the draft report. The Agency declined.

Management's Responses

The management's responses to the observations and recommendations identified in this report were received from the Agency on October 20, 2008. These responses have been incorporated into the report.

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CONCLUSION AND SUMMARY OF CURRENT OBSERVATIONS

Conclusion

The Agency did not fully comply with federal (including OMB Circular A-133), state and local CDBG requirements (see Summary of Current Observations below.)

Status of Prior Observations

The Agency's previous fiscal monitoring report dated February 16, 2006 contained one observation:

- The Agency does not have adequate oversight by its Board of Directors (**Repeated, see current observation #1 below**)

A-133 Status

The Agency did not expend \$500,000 or more in federal funds for fiscal year 2006; and is not therefore required to have a single audit in accordance with OMB Circular A-133.

Summary of Current Observations

We made recommendations for the following observations, which if implemented, could assist the Agency in fully complying with federal, state and local CDBG requirements.

1. Lack of Adequate Oversight by Agency's Board of Directors
2. Units of Service Not Accurately Reported

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**DETAILED OBSERVATIONS, RECOMMENDATIONS
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1. Lack of Adequate Oversight by Agency's Board of Directors

There is a presumption that the Agency has the financial wherewithal to accomplish its objectives and will continue to provide services to its clients for the foreseeable future. Accordingly, it is imperative that the Agency's Board of Directors (Board) should provide regular oversight to the Agency's operations.

The Agency does not have regular Board meetings. According to the Agency, Board meetings are held quarterly, however, the last meeting was held in March 2007.

In the absence of regularly scheduled Board's meetings, the Board is not in a position to provide oversight to the Agency's operations.

Recommendation

It is recommended that the Agency's Board meet on regular basis to review financial activities of the Agency and maintain signed minutes of such meetings.

Management's Response

The following is the management response to correct the Board oversight:

- 1. The Vice-President will visit the center twice weekly and meet with the Director or Asst. Director*
- 2. The board will meet quarterly to review the financial statements and other monitoring deemed necessary.*
- 3. The meetings will be recorded and attendance sheets will be signed.*

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2. Units of Service Not Accurately Reported

Section 9 of the Agency's contract #07-11-36 requires the Operating Agency to maintain such records and accounts "as are deemed necessary to assure a proper accounting of all contract funds."

The Agency received reimbursements for units of service that were not supported by the attendance records for the contract period as follows:

- A. The Agency requested and received reimbursements in the amount of \$264 for 33 units of service (daycare services per child per day) that were delivered outside the contract period:

<u>Date of Service</u>	<u>Units</u>	<u>Amount Reimbursed</u>
November, 2005	18 @ \$8 Full Day	\$144.00
December, 2006	15 @ \$8 Full Day	120.00
Total		<u>\$264.00</u>

- B. There were instances of where the number of units requested for reimbursements did not agree with the attendance records:

<u>Date of Service</u>	<u>Attendance Records</u>	<u>Units Reimbursed</u>	<u>Amount Reimbursed</u>
August 2, 2007	Absent	Full Day @ \$8	\$ 8.00
August 8, 2007	Absent	Full Day @ \$8	8.00
August 8, 2007	Absent	Full Day @ \$8	8.00
August 27, 2007	Absent	Full Day @ \$8	8.00
August 27, 2007	Absent	Half Day @ \$4	4.00
August 28, 2007	Absent	Half Day @ \$4	4.00
August 30, 2007	Half Day	Full Day @ \$8(1/2)	4.00
			<u>\$ 44.00</u>
Total unsupported reimbursements (\$264.00+\$44.00)			<u>\$308.00</u>

Non-compliance with the applicable federal (including OMB Circular A-133), state and local CDBG requirements may result in the suspension of the contract agreement with CDA.

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

2. Continued...

Recommendation

It is recommended that the Agency implement controls to ensure accuracy of the requests for reimbursements before submitting them to CDA. We also recommend the Agency repay CDA for the unsupported reimbursements by remitting a check for \$308.00 to Comptroller's Office /Federal Grants Section, 1114 Market Street #608, St. Louis, MO 63101 and include your account #5659726 in the memo section.

Management's Response

1. *The director will double check all records before submitting them to CDA for any inadequacy.*
2. *Regarding the reimbursement of \$308.00, I am requesting that it be waived if possible and go toward the other units as we run out of monies early.*

Auditor's comment

The Agency should communicate directly with CDA for the settlement of unsupported reimbursements of \$308.