



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

Internal Audit Section

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June 9, 2009

Aaron Henning, Executive Director
Harambee Youth Training Corporation
1142 Hodiamont
St. Louis, MO 63112

RE: Community Development Block Grant (CDBG)
(Project #2009-CDA39)

Dear Mr. Henning:

Enclosed is a report of the fiscal monitoring review of the Harambee Youth Training Corporation, CDBG Program, for the period January 1, 2008 through October 31, 2008. 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 Harambee Youth Training Corporation. The fieldwork was completed on December 3, 2008.

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 federal grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Lorna Alexander, Special Assistant for Development, CDA
Jill Claybour, Acting Executive Director, CDA



CITY OF ST. LOUIS

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

**HARAMBEE YOUTH TRAINING CORPORATION
CONTRACT #08-11-93
CFDA #14.218**

**FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH OCTOBER 31, 2008**

PROJECT #2009-CDA39

DATE ISSUED: JUNE 9, 2009

**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)
HARAMBEE YOUTH TRAINING CORPORATION
FISCAL MONITORING REVIEW
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INTRODUCTION

Background

Project Name: Harambee Youth Training Program
Contract Number: 08-11-93
CFDA Number: 14.218
Contract Period: January 1, 2008 through October 31, 2008
Contract Amount: \$35,000

This contract provided Community Development Block Grant (CDBG) funds to Harambee Youth Training Corporation (Agency) for assistance in training youth in the St. Louis area by providing an opportunity to gain both personal character development and the necessary work experience to succeed in a work environment.

Purpose

The purpose was to determine Agency's compliance with federal, state and local CDBG requirements for the period January 1, 2008, through October 31, 2008, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by Community Development Administration (CDA), evidence tested supporting the reports the Agency submitted to CDA and other procedures performed as considered necessary. Fieldwork was completed on December 3, 2008.

Exit Conference

The Agency was offered the opportunity for an exit conference on April 8, 2009, but it declined.

Management's Responses

Management's responses to the observations and recommendations were received On April 16, 2009, and have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

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

Status of Prior Observations

The Agency's previous fiscal monitoring report dated September 19, 2008, contained four observations:

1. The Agency has a potential going concern. **(Resolved)**
2. The Agency did not secure two duly authorized signatures for disbursement checks. **(Resolved)**
3. The Agency failed to file monthly financial reports in a timely manner. **(Repeated. See Current Observation #2)**
4. The Agency had inadequate segregation of duties. **(Repeated. See Current Observation #1)**

A-133 Status

According to a letter received from the Agency dated November 11, 2008, it did not expend \$500,000 or more in federal funds in its fiscal year ended December 31, 2007, and was not required to have an A-133 audit report.

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 CDBG requirements.

1. Opportunity for mitigating or compensating controls in lieu of segregation of duties **(Repeated)**
2. Opportunity to submit monthly financial statements in a timely manner **(Repeated)**

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

1. Opportunity for Mitigating or Compensating Controls in Lieu of Segregation of Duties

The Administrator performed incompatible accounting duties, which included receiving and depositing checks, recording accounts receivable and payable entries, and reconciling the bank statement.

Sound internal controls require incompatible duties be performed by different persons such as receiving cash, recording receipts, depositing the funds, and performing bank reconciliation should be performed by separate people.

The Administrator stated that there were not enough staff members to assign incompatible duties to different persons.

The Agency, however, has not established mitigating or compensating controls in lieu of segregation of duties. Mitigating or compensating controls are additional procedures designed to reduce the risk of errors and irregularities in those instances where duties cannot be fully segregated and they consist of a supervisory reviews of the incompatible duties.

In the absence of an adequate segregation of duties or mitigating or compensating controls, the following could occur:

- Misappropriation of assets
- Misstated financial statements
- Inaccurate financial documentation (errors and irregularities)
- Improper use of funds could go undetected

Recommendation

It is recommended that the Agency establish mitigating or compensating controls in those instances where duties cannot be fully segregated by implementing and documenting supervisory review of the incompatible duties.

Management's Response

Agreed. At the point when it was brought to our attention that we needed to separate some of the financial duties for our organization beyond our staff's current capability, we met with the administrator for New City Fellowship, a related organization with whom we share our offices. He agreed to provide assistance by

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

1. Continued...

having one of his staff members (who is familiar with QuickBooks) perform the reconciliation of our bank account each month. She began this duty in October and continues to do it now. She has been signing and dating the bank statement each month to show that she made sure everything was balanced and correct on our books. Our administrator continues to perform all other duties leading up to the monthly reconciliation, as representatives from your office had agreed was acceptable.

2. Opportunity to Submit Monthly Financial Statements in a Timely Manner

Three of the four monthly financial statements tested in 2008 were submitted late as follows:

| Report Month | Due Date | Date Submitted | Number of Days Late |
|---------------------|------------------|-----------------------|----------------------------|
| April 2008 | May 10, 2008 | May 15, 2008 | 5 |
| June 2008 | July 10, 2008 | July 14, 2008 | 4 |
| September 2008 | October 10, 2008 | October 20, 2008 | 10 |
| Total | | | 19 |
| Average | | | 6.3 |

Page three of the contract between the Agency and CDA states "...the Operating Agency shall be required to submit monthly financial statements as specified in the Operating Agency Fiscal Procedures Manual, no later than the 10th calendar day of each month to the Comptroller's Office- Federal Grants Section...."

The Agency did not have an effective system of internal control in place to ensure compliance with the CDA regulations and the reporting requirement of OMB Circular A-133 compliance requirements.

Non-compliance with the CDA regulations or OMB Circular A-133 reporting compliance requirements may cause a delay or suspension in the processing of reimbursement requests resulting in interruption in the Agency's services to its clients.

Recommendation

It is recommended that the Agency comply with CDA regulations and submit its monthly financial reports by the 10th day of the month following the report period end for all current and future contracts.

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

3. Continued...

Management's Response

Agreed. At the February 4, 2009 training session that CDA held for sub-recipients, this issue was addressed by a number of people, and it was extremely helpful for us to hear that we could fax the report to Federal Grants ahead of time to make sure it arrives at the office by the 10th. Our administrator has been faxing them each month in 2009 no later than the 10th in addition to mailing the original hardcopy, so we do not anticipate this to be a finding for our organization in the future.