



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA  
Internal Audit Executive

FILE COPY

February 6, 2013

Pricilla Ritchie, Executive Director  
Vaughn Tenant Association/Elmer Hammond Daycare  
1920 Cass Ave.  
St. Louis, MO 63106

RE: Community Development Block Grant (CDBG) (Project #2013-CDA03)

Dear Ms. Ritchie:

Enclosed is a report of the fiscal monitoring review of the Vaughn Tenant Association/Elmer Hammond Daycare, a not-for-profit organization, CDBG Program, for the period January 1, 2012, through June 30, 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 Vaughn Tenant Association/Elmer Hammond Daycare. Fieldwork was completed on October 24, 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 CITY OF ST. LOUIS

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

**VAUGHN TENANT ASSOC/ELMER HAMMOND DAYCARE  
CONTRACT #12-11-36  
CFDA #14.218**

**FISCAL MONITORING REVIEW**

**JANUARY 1, 2012 THROUGH JUNE 30, 2012**

**PROJECT #2013-CDA03**

**DATE ISSUED: FEBRUARY 6, 2013**

**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)**  
**VAUGHN TENANT ASSOCIATION/ELMER HAMMOND DAYCARE**  
**FISCAL MONITORING REVIEW**  
**JANUARY 1, 2012 THROUGH JUNE 30, 2012**

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## INTRODUCTION

### Background

**Contract Name:** Vaughn Tenant Association/Elmer Hammond Daycare

**Contract Number:** 12-11-36

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

**CFDA Number:** 14.218

**Contract Amount:** \$15,903

This contract provided Community Development Block Grant (CDBG) funds to Vaughn Tenant Association/Elmer Hammond Daycare (Agency), to assist low and moderate income families residing in the Greater St. Louis area. The program will help assist families in the mental, physical, and educational growth and development of their children, with an emphasis on total child care. In addition, this program allows time for parents to participate in a training program and/or seek employment.

### 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 June 30, 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 October 24, 2012.

### Exit Conference

An exit conference was offered to the Agency on January 16, 2013, but the Agency declined.

### Management's Response

Management's response to the observation and recommendation noted in the report was received on January 24, 2013 and has been incorporated into the report.

## 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-CDA7 issued November 21, 2011, contained one observation:

- Opportunity to file IRS Form 990 in a timely manner (**Resolved**)

### **A-133 Status**

According to a letter received from the Agency dated October 16, 2012, it did not expend \$500,000 or more in federal funds in its fiscal year ended 2011, and 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 address going concern

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

### Opportunity To Address Going Concern

Based on the agency's financial statements for the last two years, the Agency appears to have a going concern and equity issue.

The Agency's Statement of Financial Positions for the period ended September 30, 2011 and 2012 show negative working capital (excess of current liabilities over current assets). The Agency's Statements of Activities for the respective years showed net losses as follows:

Description	June 30, 2011	June 30, 2012
Working Capital	(\$27,007.45)	(\$44,244.42)
Net Income	\$20,097.00	(\$3,171.22)

Going concern measures the entity's ability to stay operational for the foreseeable future by continuing to realize assets and discharge liabilities in the normal course of business, and generate sufficient resources to stay operational. Positive working capital, an excess of current assets over current liabilities, and excess of income over expenditures provide evidence that an entity will stay a going concern for the foreseeable future.

The Agency does not have budgetary controls in place to ensure its operating expenses do not exceed its revenues.

An uncertainty over the Agency's ability to continue in operation for the foreseeable future may limit the Agency's ability to provide the services to the community as required by the grant contract. It may also lead funding sources to discontinue funding the Agency.

### Recommendation

It is recommended that the Agency implement budgetary controls to ensure its expenses do not exceed its revenues. In addition, the Agency needs to seek additional funding sources to meet operational requirements to achieve a positive financial outlook.

### Management's response

*It is recommended that the Agency implement budgetary controls to ensure its expenses do not exceed its revenue.*

*Our Agency has executed the following budget controls:*

- *Staff Reductions*

<i>1 Administration Staff</i>	<i>\$37,440 annually</i>
<i>1 Childcare Technician</i>	<i>\$16,120 annually</i>

*\*Savings realized through 2 staff reductions is \$53,640*

*The Agency needs to seek additional funding sources to meet operational requirements to achieve a positive financial outlook.*

*Our Agency has secured AARP as a collaborating Agency and Funding Source who has hired 2 Childcare Technicians. We have realized a budgetary savings of \$13,572. This In-Kind contribution allows us to maintain our operation requirement.*