



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

November 21, 2011

Erma Weathersby, Executive Director
Vaughn Tenant Association / Elmer Hammond Daycare
1920 Cass Ave.
St. Louis, MO 63103

RE: Vaughn Tenant Association / Elmer Hammond Daycare (Project #2012-CDA7)

Dear Ms. Weathersby:

Enclosed is a report of our fiscal monitoring review of Vaughn Tenant Association / Elmer Hammond Daycare, a not-for-profit organization, CDBG Program, for the period January 1, 2011 through June 30, 2011. 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 August 24, 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 federal grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

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)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**VAUGHN TENANT ASSOCIATION / ELMER HAMMOND DAYCARE
CONTRACT #10-11-36
CFDA #14.218**

FISCAL MONITORING REVIEW

JANUARY 1, 2011 THROUGH JUNE 30, 2011

PROJECT #2012-CDA7

DATE ISSUED: NOVEMBER 21, 2011

**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)
VAUGHN TENANT ASSOCIATION / ELMER HAMMOND DAYCARE
FISCAL MONITORING REVIEW
JANUARY 1, 2011 THROUGH JUNE 30, 2011

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INTRODUCTION

Background

Contract Name: Elmer Hammond Daycare
Contract Number: 11-11-36
CFDA Number: 14.218
Contract Period: January 1, 2011 through June 30, 2011
Contract Amount: \$20,000

This contract provided Community Development Block Grant (CDBG) funds to Vaughn Tenant Association / Elmer Hammond Daycare (Agency) to assist low to moderate income families residing in the Greater St. Louis area in the mental, physical, and educational growth and development of their children, with an emphasis on the total child care, and at the same time, freeing the parent to attain, retrain, or train for employment.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state, and local Community Development Organization (CDA) requirements for the period January 1, 2011 through June 31, 2011, 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 CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on August 24, 2011.

Exit Conference

The Agency was offered the opportunity for an exit conference on November 9, 2011, but it was declined.

Management's Response

Management's response to the observation and recommendation noted in the report was received on November 10, 2011 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 #2010-CDA22, issued August 31, 2009 contained no observations.

A-133 Status

According to a letter received from the Agency, it did not expend \$500,000 or more in federal funds for the year ended December 31, 2010, 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 file IRS Form 990 in a timely manner

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Opportunity To File IRS Form 990 In A Timely Manner

The Agency filed its IRS Form 990 for the year ending March 31, 2011 on September 13, 2011. The deadline for filing the Form was August 15, 2011. The Agency did not provide documentation of filing an automatic three month extension, which would have extended the due date to November 15, 2011.

According to US Code Title 26, Section 6033 (a) (1), "...every organization exempt from taxation under section 501 (a) shall file an annual return (Form990).... Form 990 must be filed by the 15th day of the 5th month after the organization's accounting period."

The Agency does not have a system of internal control in place to ensure compliance with the federal filing requirement for IRS Form 990.

According to US Code Title 26, Section 6652 (c) (1) (A), a penalty of \$20 a day, not to exceed the smaller of \$10,000 or 5% of the gross receipts of the entity for the reporting period, can be charged when a return is filed late. Also, CDA may delay processing of reimbursement requests, suspend or terminate the grant contract agreement.

Recommendation

It is recommended that the Agency establish and implement a system of internal control to ensure compliance with the federal filing requirements for the IRS Form 990.

Management's Response

We concur with your observation and will make the following actions to correct the findings:

- 1. The Vaughn Tenant Association/Elmer Hammond Child Development Center will complete, file, and submit the 990 EZ Tax Report Return as required by the August 15 deadline in the future.*
- 2. The Vaughn Tenant Association/Elmer Hammond Child Development Center will establish and implement a system of internal controls to ensure compliance with the federal filing requirements for the IRS 990 EZ by using the Payroll system (Payroll 1) as a reminder to begin submitting the information into the software on a bi-weekly basis so that the 990 EX return is completed, filed, and submitted on time.*