



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

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Internal Audit Section

FILE COPY

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October 17, 2012

Carrie Jones, Administrator
Harambee Youth Training Partnership
1142 Hodiamont Avenue
St. Louis, MO 63112

RE: Harambee Youth Training Partnership (Project #2013-AHC03)

Dear Ms. Jones:

Enclosed is a report of the fiscal monitoring review of the Harambee Youth Training Partnership, a not-for-profit organization, for the period April 1, 2012 through July 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 Harambee Youth Training Partnership. Fieldwork was completed on September 7, 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, Affordable Housing Commission(AHC) 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: Angela M. Conley, Executive Director, Affordable Housing Commission



CITY OF ST. LOUIS

AFFORDABLE HOUSING COMMISSION (AHC)

**HARAMBEE YOUTH TRAINING PARTNERSHIP
CONTRACT #11-12G**

FISCAL MONITORING REVIEW

APRIL 1, 2012 THROUGH JULY 31, 2012

PROJECT #2013-AHC03

DATE ISSUED: OCTOBER 17, 2012

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
AFFORDABLE HOUSING COMMISSION (AHC)
HARAMBEE YOUTH TRAINING PARTNERSHIP
FISCAL MONITORING REVIEW
APRIL 1, 2012 THROUGH JULY 31, 2012**

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INTRODUCTION

Background

Contract Name: Harambee Youth Training Partnership

Contract Number: 11-12G

Contract Period: April 1, 2012 through July 31, 2012

Contract Amount: \$56,400

The contract provided Affordable Housing Commission (AHC) funds to Harambee Youth Training Partnership (Agency) to train youth in the St. Louis area by providing an opportunity for them to gain both character development and necessary work experience.

Purpose

The purpose of the review was to determine the Agency's compliance with local Affordable Housing Commission (AHC) requirements for the period April 1, 2012 through July 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 AHC. Evidence was tested supporting the reports the Agency submitted to AHC and other procedures were performed as considered necessary. Fieldwork was completed on September 7, 2012.

Exit Conference

The Agency was offered the opportunity for an exit conference on, 2012, but the Agency declined.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with AHC requirements.

Status of Prior Observations

The Agency did not have any previous AHC fiscal monitoring reviews.

Summary of Current Observations

A recommendation was made for the following observation, which if implemented could assist the Agency in fully complying with AHC requirements.

- Opportunity to address going concern

DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

Opportunity To Address Going Concern

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, in 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.

Based on the agency's financial statements for the last three years, the Agency appears to have a going concern issue. The Agency's Balance Sheets as of December 31, 2010, 2011, and August 22, 2012 show negative working capital (excess of current liabilities over current assets). The Agency's income statements for the respective years showed net losses as follows:

Description	December 31, 2010	December 31, 2011	August 22, 2012
Working Capital	(\$7,475.00)	(\$11,624.00)	(\$54,069.00)
Net Income	(\$2,721.28)	(\$7,561.71)	(\$44,304.37)

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

- 1. We do not concur with the going concern observation.*
- 2. We already have had an influx of revenue since Internal Audit's visit a month ago, and we are maintaining a positive (and growing) net income. We have been and continue to meet weekly to evaluate our cash flow and to make budgetary changes as needed.*

3. *We feel that there are two things relevant to this observation that Internal Audit may not be aware of:*

*a) **Timing of the audit.** We understand that a mid-year snapshot of our financial situation makes it difficult for Internal Audit to see the bigger picture of where we are financially as an organization. August is a particularly misleading month, as we spend 50% of our annual budget during the summer months and we often rely on lines of credit to help us with cash flow until we can recoup the funds afterward from outstanding receivables (including CDA and AHTF, which are issued as reimbursements for expenses already on the books).*

*b) **A larger perspective of our growth.** We have experienced significant growth over the last two years, and we have increased our budget to allow for that growth only when we were confident that we would be able to make it sustainable. For a time, this meant taking on some liabilities to help with the increases in cash flow. However, at this time (less than a month since Internal Audit's visit), we have a balance sheet reflecting a positive net income of \$11,624. That number is increasing weekly and is expected to exceed \$100,000 by the end of 2012. In addition, we will have paid down at least \$87,000 on our lines of credit by the end of the year and will have cash to spare in the bank to help us with cash flow in January. We anticipate needing significantly less help with cash flow in the summer of 2013 (in terms of using lines of credit) now that our income is more stable and our production division is helping offset the irregular nature of donations, private grants, and government funding.*

4. *We very much appreciate Internal Audit's role in overseeing these grants. Our operations have improved over the years as a result of the feedback we've been given.*

Auditor's Response

In the table shown above, the first two calculations were completed using financial statements for the entire year of 2010 and 2011. This proves that the timing of the audit is irrelevant because both working capital and net income were still negative by year's end. Also, the review of the August 2012 financial statements did not show any substantial receivables to overcome the Agency's negative net income by year's end.