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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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October 4, 2006

Rodney Hubbard, Director
Carr Square Tenant Assoc. McElroy Day Care
1629 Biddle Street
St. Louis, MO 63106

RE: Fiscal Monitoring Report of the Carr Square Tenant Assoc.
McElroy Day Care (2006-CDA31)

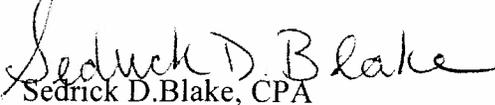
Dear Mr. Hubbard:

Enclosed is a report of our fiscal monitoring review of the Carr Square Tenant Association McElroy Day Care (Contract #05-11-37).

The review period was from January 1, 2005 through December 31, 2005, as applicable for the contract(s). 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 the McElroy Day Care. Our fieldwork was completed on September 5, 2006.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and through an agreement with the Community Development Administration (CDA) to provide fiscal monitoring to all grant subrecipients. If you have any questions, please contact Charles Schroeder at 589-6089.

Sincerely,


Sedrick D. Blake, CPA
Internal Audit Executive

Enclosure

cc: Honorable Darlene Green, Comptroller
Jill Claybour, Acting Director, CDA
Lorna Alexander, Fiscal Coordinator, CDA



CITY OF ST. LOUIS

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

*CARR SQUARE TENANT ASSOCIATION
MCELROY DAY CARE
CONTRACT #05-11-37*

FISCAL MONITORING REVIEW

JANUARY 1, 2005 THROUGH DECEMBER 31, 2005

PROJECT #2006-CDA31

DATE ISSUED: OCTOBER 4, 2006

*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)
CARR SQUARE TENANT ASSOCIATION McELROY DAY CARE
CONTRACT: #05-11-37
FISCAL MONITORING REVIEW
JANUARY 1, 2005 THROUGH DECEMBER 31, 2005**

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CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
CARR SQUARE TENANT ASSOCIATION McELROY DAY CARE
CONTRACT: #05-11-37
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INTRODUCTION

Background

Contract Name: Carr Square Tenant Association. McElroy Day Care

Contract Number: 05-11-37

Contract Periods: January 1, 2005 through December 31, 2005

Contract Amount: \$29,000

Background

The McElroy Day Care Center provides childcare services to about 50 children ages two to seven. The Center, located at 1629 Biddle, provides educational, social, health, transportation and nutritional services, which will help prepare the children for entry into the elementary school system.

The Carr Square Infant and Toddler Center, located at 1524 Carr Drive, provides childcare services to approximately 32 low to moderate income children ranging in age from six weeks to 36 months.

Both of these centers serve as viable resources to assist low and moderate income families in the educational growth and mental and physical development of their children with emphasis on the total child and at the same time freeing the parent to attain, retain or train for employment.

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CONTRACT: #05-11-37
FISCAL MONITORING REVIEW
JANUARY 1, 2005 THROUGH DECEMBER 31, 2005**

INTRODUCTION

Purpose

The purpose of our review was to determine the McElroy Day Care Center's compliance with federal, state and local Community Development Block Grant (CDBG) requirements for the period January 1, 2005 through December 31, 2005 and make recommendations for improvement.

Scope and Methodology

We made inquires regarding the McElroy Day Care Center's internal controls relating to the grants administered by the Community Development Administration (CDA), tested evidence supporting the reports the Agency submitted to CDA and performed other procedures considered necessary. Our fieldwork was completed on September 5, 2006. Management's responses were received on September 27, 2006 and have been incorporated into this report.

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CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

The Carr Square Tenant Association. McElroy Day Care Center did not fully comply with federal, state and local CDBG requirements.

Status of Prior Observations

There were two (2) prior observations in the most recent Fiscal Monitoring Report completed by Internal Audit dated September 17, 2004:

1. The Agency did not submit the McElroy Day Care financial reports timely – **Resolved**
2. It appears the Agency may have a going concern. – **Unresolved (Repeat Observation) See Observation below**

A-133 Status

The A-133 Audit was reviewed. The auditors issued a qualified—going concern opinion on the financial statements. The auditors' report on compliance for the major federal award programs expressed an unqualified opinion on the major programs.

We noted there were five unresolved findings from prior years. They involve \$1,055,682 in questioned costs. While the findings do not specifically pertain to the above listed program (operation of a day care center), they may have a significant impact on the ability of the Agency to remain a going concern.

Summary of Current Observations

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

- ◆ Agency may have a going concern issue.

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

1. Agency may have a Going Concern Issue

We noted the independent auditors issued a qualified—going concern opinion on the financial statements for the year ended September 30, 2004 because of \$1,055,682 in questioned costs. The Agency may have to re-pay this to HUD. While the questioned costs do not specifically pertain to the operation of the day care center, they may have a significant impact on the ability of the Agency to remain a going concern.

Recommendation

We recommend the Agency keep CDA informed of the status of this situation to ensure the continued operation of the day care center.

Management's Response

The funds in question have been incorporated in the restructuring of the HOPE 1 grant which will be paid as per the restructuring plan. HUD is working with us to resolve these costs as indicated in our Restructuring Plan. At any event, CSTMC has in place a method to repay these costs which will have no effect on our ability to continue to operate. We will continue to apprise CDA in writing on the status of our progress.