



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

Internal Audit Section

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November 13, 2007

Rodney Hubbard, Director
Carr Square Tenant Management Corporation
1521 Carr Drive
St. Louis, MO 63106

RE: Desk Review of McElroy Day Care/Carr Square Infant-Toddler Program
(Project #2007-CDA48)

Dear Mr. Hubbard:

We have conducted a desk review of on the McElroy Day Care/Carr Square Infant-Toddler Program of Carr Square Tenant Management Corporation (Agency), a not-for-profit organization, for the period January 1, 2006 through May 31, 2007. The scope of a desk review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of the Agency. A desk review does not entail a field visit to the site. The Agency declined an exit conference. Management's responses to the two of the three observations noted in the report were received on October 30, 2007, and have been incorporated into the report.

Our desk review was completed on June 29, 2007. The objective of the contract was to provide quality child care and child care developmental services to the infants of the low to moderate income recipients, opportunities for parental involvement for better parent-teacher and teacher-child relationships and continuing early childcare education for staff.

Opportunity exists for the Agency to comply with the OMB Circular A-133 compliance requirements and general provisions of its contract with the Community Development Administration. The following are the observations resulting from our review:

1. Agency failed to submit IRS Form 990

The Agency failed to provide the Internal Audit with its IRS Form 990 for the fiscal year ended September 30, 2006. The non-filing of Form 990 could result in a substantial monetary penalty to the Agency and the revocation of its tax-exempt status.

Management's Response

In response to the observation, the Agency provided Internal Audit the required IRS Form 990 on October 30, 2007.

1. Continued...

Auditor's Comment

Based on the information provided with the management's response, this observation is considered resolved.

2. Agency fail to Provide Missouri Tax Exemption Letter

The Agency did not provide Internal Audit with the letter from the State of Missouri exempting the Agency's purchases from sales or use tax if conducted within its exempt civic or charitable functions and activities. Consequently, we were unable to determine the Agency's tax-exempt status.

Management's Response

In response to the observation the Agency provided Internal Audit the tax exemption letter from the State of Missouri on October 30, 2007.

Auditor's Comment

Based on the information provided with the management's response, this observation is considered resolved.

3. Opportunity to Improve Internal Controls

As per the Subrecipient Questionnaire, the Agency completed, the Agency was unsure of the: CFDA Title and Number of the program, Project Name, the Sponsoring Federal Agency's name and the OMB Circular A-133 Compliance Requirements that are applicable to its program. Although the Agency did comply with all of the applicable A-133 compliance requirements, procedures should be in place for all employees to be knowledgeable of the program's pertinent information to ensure the compliance with all the requirements of the program.

Management's Response

The Agency did not respond to this observation.

Auditor's Comment

This observation remains unresolved.

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 CDA to provide fiscal monitoring to all grant subrecipients.

Project 2007-CDA48

Page 3

If you have any questions, please contact Ishmael Ikpeama at (314) 589-6113.

Respectfully,

A handwritten signature in cursive script that reads "Sedrick D. Blake". The signature is written in black ink and is positioned above the printed name.

Sedrick D. Blake, MBA, CPA

Audit/Fiscal Executive

cc: Jill Claybour, Acting Executive Director, CDA

Lorna Alexander, Special Assistant for Development, CDA