



STATE OF NORTH CAROLINA
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

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June 8, 2007

Ms. Tarcia Howard
Owner/Director
Prosperous Children Child Care
3807 University Drive
Durham, North Carolina 27707

RE: State Grants from the Department of Health and Humans Services –
Division of Public Health...FYE 6/30/04, \$22,840
...FYE 6/30/05, \$30,770
...FYE 6/30/06, \$10,935

Dear Ms. Howard:

During the month of April 2007, the Office of the State Auditor made several attempts to examine State grants awarded to the Prosperous Children Child Care. The objectives of this examination were to identify whether or not deficiencies in internal control; instances of noncompliance with laws, regulations, and provisions of contracts or grants agreements; and/or deficiencies in the management of financial resources existed.

Despite these repeated attempts, we have been unsuccessful in contacting you or in obtaining the records that you are required to maintain under North Carolina General Statute 143-6.2 showing how these grant funds were used. Therefore, you are in non-compliance with the terms of the State grants awarded to Prosperous Children Child Care. Below we summarize the attempts made to contact you.

Attempts to Examine Grant Records:

- Mr. John Price of our Office first called to set up a time to review the records on April 9th. After leaving three requests for you to return calls with no response, Mr. Price called to say that he would be conducting a site visit Friday, April 20, 2007. Upon arrival, Mr. Price was informed that you "had just left to attend a meeting" and that your staff did not know your cell phone number but that you would be returning later that day.
- On a return visit the same day, we were told that you "had to take her daughter to the hospital for an emergency." Mr. Price then asked to review the records, saying that he would talk with you at a later date. Your staff member called you and you both agreed Prosperous Children had never received any State funds from the Department of Health and Human Services. Mr. Price was told that the federal tax identification number listed was not that for Prosperous Children. He indicated to you that he would follow up with the Department and would return on Monday, April 23 to clear up any confusion.

- After reviewing the records from the Department, Mr. Price called to tell you that Prosperous Children had, indeed, received the grants indicated above and that the number used as the federal tax identification number was, in fact, your individual social security number. He then requested that all records supporting the expenditure of the grants in question be available on Monday, April 23 regardless of whether the Director was available. When Mr. Price arrived he was told that you would not be available until Wednesday, April 25, 2007 and that you had no records for us to review.
- On May 7, we made one last attempt to obtain the grant records for examination by offering you the opportunity to bring such records to our offices no later than May 15, 2007. This letter failed to elicit any response from you.

Since the Prosperous Child management has decided not to produce these records, we recommend to the Department of Health and Human Services that it immediately seek to recoup all grant funds awarded to your entity for the past three State fiscal years, totaling \$64,545. The North Carolina Attorney General will also be notified of this recommendation. Further, we recommend to the Department that it place you on the Suspension of Funding List maintained by the North Carolina Office of State Budget and Management which will prohibit your entity from receiving any further State grant funds from any agency.

This letter will be published on our Electronic Publication System (EPS) at www.ncauditor.net. You and others who are interested in the publication should register with EPS on the web site. Registered parties will receive an email notification and a link to the publication as soon as it is available.

Sincerely,



Leslie W. Merritt, Jr., CPA, CFP
State Auditor

LWMjr/jhp

CC: Attorney General Roy Cooper
Department of Justice
Secretary Carmen Hooker Odom
Department of Health and Human Services
Dr. Leah Devlin, Director
Division of Public Health, DHHS
Ms. Laketha Miller, Controller
Department of Health and Human Services
Mr. Tom Newsome
Assistant State Budget Officer for Management