



# STATE OF NORTH CAROLINA

## WAKE COUNTY SMARTSTART FINANCIAL RELATED AUDIT

JUNE 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

**WAKE COUNTY SMARTSTART**

**FINANCIAL RELATED AUDIT**

**JUNE 2012**

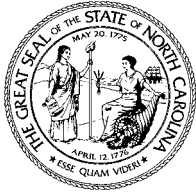
**BOARD OF DIRECTORS**

**SHANTE' MARTIN, CHAIR**

**ADMINISTRATIVE OFFICERS**

**PAMELA DOWDY, EXECUTIVE DIRECTOR**

**GARY CARR, CONTROLLER**



**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet  
<http://www.ncauditor.net>

---

**AUDITOR'S TRANSMITTAL**

---

June 28, 2012

The Honorable Beverly Eaves Perdue, Governor  
The General Assembly of North Carolina  
Board of Directors, Wake County SmartStart  
Ms. Pamela Dowdy, Executive Director

This report presents the results of our financial related audit at the Wake County SmartStart. Our work was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes* and was conducted in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The results of our audit disclosed no internal control deficiencies or instances of noncompliance or other matters that are considered reportable under *Government Auditing Standards*.

*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

## TABLE OF CONTENTS

---

	PAGE
BACKGROUND AND GENERAL OBJECTIVES.....	1
METHODOLOGY.....	2
SCOPE AND SPECIFIC OBJECTIVES .....	3
RESULTS AND CONCLUSIONS.....	4
ORDERING INFORMATION .....	5

## **BACKGROUND AND GENERAL OBJECTIVES**

---

### **BACKGROUND**

As authorized by Article 5A of Chapter 147 of the *North Carolina General Statutes*, we have conducted a financial related audit at the Wake County SmartStart. There were no special circumstances that caused us to conduct the audit, but rather it was performed as part of our effort to periodically examine and report on the financial practices of state agencies and institutions.

Wake County SmartStart is a nonprofit organization with the mission to ensure children in Wake County, birth to five years old, are prepared for success in school and in life. Officially formed in 1996, Wake County SmartStart works to:

- a) improve the quality, accessibility and affordability of child care,
- b) provide preventive health and early intervention services, and
- c) offer family support services.

### **GENERAL OBJECTIVES**

The general objective of this financial related audit was to identify improvements needed in internal control over selected fiscal matters. The specific fiscal matters included in the audit are described in the Scope and Specific Objectives section of this report.

Management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that relevant objectives are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate. Our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

## METHODOLOGY

---

To accomplish our audit objectives, we gained an understanding of internal control over matters described in the Scope and Specific Objectives section of this report and evaluated the design of the internal control. We then performed further audit procedures consisting of tests of control effectiveness and/or substantive procedures that provide evidence about our audit objectives. Specifically, we performed procedures such as interviewing personnel, observing operations, reviewing policies, analyzing accounting records, and examining documentation supporting recorded transactions and balances. Whenever sampling was used, we applied a nonstatistical approach but chose sample sizes comparable to those that would have been determined statistically. As a result, we were able to project our results to the population but not quantify the sampling risk.

As a basis for evaluating internal control, we applied the internal control guidance contained in professional auditing standards. As discussed in the standards, internal control consists of five interrelated components, which are (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

We conducted this audit in accordance with generally accepted government auditing standards applicable to performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **SCOPE AND SPECIFIC OBJECTIVES**

---

Our audit scope covered the period July 1, 2011 through February 29, 2012. During our audit, we considered internal control related to the following accounts and specific objectives:

*Grants Expenditures* - Wake County SmartStart (Partnership) disburses state funds for the Smart Start and N.C. Pre-Kindergarten programs to governmental and nongovernmental organizations. During the period covered by our audit, the Partnership reported \$967,000 in Smart Start expenditures and \$4,241,000 in N.C. Pre-Kindergarten expenditures. We examined internal controls designed to ensure that the Partnership effectively monitored grants for compliance with grant requirements, including programmatic and fiscal goals and objectives as well as laws related to the administration of state grant funds.

*Salary Expenditures* - A law passed in 2011 placed a limit on the amount of state funds that could be used for the salary of individual Smart Start Partnership employees. We examined internal controls designed to ensure compliance with this limit.

## **RESULTS AND CONCLUSIONS**

---

The results of our audit disclosed no internal control deficiencies or instances of noncompliance or other matters that are considered reportable under generally accepted government auditing standards.



## **ORDERING INFORMATION**

---

Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://www.ncauditor.net). Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647