



STATE OF NORTH CAROLINA

AUDIT RESULTS FROM CAFR AND SINGLE AUDIT PROCEDURES

DEPARTMENT OF COMMERCE

FOR THE YEAR ENDED JUNE 30, 2002

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR



Ralph Campbell, Jr.
State Auditor

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August 12, 2002

The Honorable Michael F. Easley, Governor
Members of the North Carolina General Assembly
Mr. James T. Fain, III, Secretary
Department of Commerce

We have completed certain audit procedures at the Department of Commerce related to the State's *Single Audit Report*, for the year ended June 30, 2002. Our audit was made by authority of Article 5A of *North Carolina General Statute § 147*.

The results of these procedures, as described below, yielded an audit finding and recommendation for the Department related to the State's federal financial assistance programs that may require disclosure in the aforementioned report. The finding noted above is included in the finding and recommendation section contained herein. Our recommendation for improvement and management's response follow the finding.

We noted an instance of noncompliance with federal regulations. The required debarment certifications were not obtained from subrecipients.

The accounts and operations of the Department of Commerce are an integral part of the State's reporting entity represented in the *CAFR* and *Single Audit Report*. In the *CAFR*, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the results of tests on the State's internal control and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133.

As part of the work necessary for issuance of the *CAFR* and the *Single Audit Report*, the following individual funds and federal programs of the State were subjected to audit procedures at the Department of Commerce as we considered necessary:

Funds for the Comprehensive Annual Financial Report:

None

Federal Programs for the *Single Audit Report*:

Workforce Investment Act (Cluster) CDFR: 17.258, 17.259 and 17.260

The individual funds and federal programs subjected to audit at the Department of Commerce are substantially less in scope than would be necessary to report on the financial statements

that relate solely to the Department or the administration of federal programs by the Department. Therefore, we do not express such conclusions.

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.

Respectfully submitted,

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.
State Auditor

AUDIT FINDING AND RECOMMENDATION

Current Year Finding and Recommendation - The following finding and recommendation was identified during the current audit and represents noncompliance with laws, regulations, contracts, or grants.

REQUIRED DEBARMENT CERTIFICATIONS NOT OBTAINED

The Division of Employment and Training did not obtain the required debarment certifications from any of the subrecipients tested. Failure to secure the required certifications increases the risk that the Department may contract with or provide funds to debarred companies, individuals or subrecipients.

The federal government may prohibit individuals or organizations convicted of fraud or found in violation of government contracts or federal laws from contracting for or receiving awards from federal funds. OMB Circular A-133 states that contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principles are not suspended or debarred.

Recommendation: The Division should implement and document procedures to ensure that all required certifications from subrecipients and contractors are obtained prior to executing contracts or releasing funds.

AGENCY RESPONSE: The debarment certifications were overlooked when the new WIA subgrant agreements were prepared. The Division has issued Local Area Issuance NO. 2002-09, which outlines the Debarment and Suspension requirements. The Local Areas must complete the certification and return to DET.

The Local Area Issuance is the method we have chosen to correct the current situation. There were no certifications on file so every local area will have to complete the certifications and return to DET by September 3. This will provide DET with certificates for all active subgrants awarded.

In the future, the certification will be added as an attachment to the subgrant agreement that DET will require to be signed and returned with the subgrant agreement.

DISTRIBUTION OF AUDIT REPORT

In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this document have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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October 22, 2002

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