



STATE OF NORTH CAROLINA

AUDIT RESULTS FROM

CAFR AND SINGLE AUDIT PROCEDURES

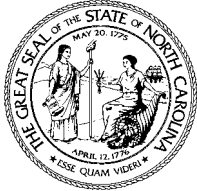
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

FOR THE YEAR ENDED JUNE 30, 2003

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR



Ralph Campbell, Jr.
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.osa.state.nc.us>

March 8, 2004

The Honorable Michael F. Easley, Governor
Members of the North Carolina General Assembly
The Honorable Britt Cobb, Commissioner
Department of Agriculture and Consumer Services

We have completed certain audit procedures at the Department of Agriculture and Consumer Services related to the State's *Comprehensive Annual Financial Report (CAFR)* and *Single Audit Report* for the year ended June 30, 2003. Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

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 reports. Specifically, the Department of Agriculture and Consumer Services' Food Distribution Division did not track the receipt of subrecipient audit reports or review reports to identify audit findings applicable to the Food Donation Program. The finding is described more fully in the findings and recommendations section contained herein. Our recommendation for improvement and management's response follow the finding.

The accounts and operations of the Department of Agriculture and Consumer Services are an integral part of the State's reporting entity represented in the *CAFR* and the *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 Agriculture and Consumer Services as we considered necessary:

Funds for the *Comprehensive Annual Financial Report*:

None

Federal Programs for the *Single Audit Report*:

Food Donation Program (CFDA # 10.550)

The individual funds and federal programs subjected to audit at the Department of Agriculture and Consumer Services 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.

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

Ralph Campbell, Jr.
State Auditor

AUDIT FINDINGS AND RECOMMENDATIONS

Matters Related to Financial Reporting or Federal Compliance Objectives

The following finding and recommendation was identified during the current audit and discusses a condition that represents a significant deficiency in internal control and noncompliance with laws, regulations, contracts, or grants.

INADEQUATE MONITORING OF SUBRECIPIENT AUDIT REPORTS

The Department of Agriculture and Consumer Services' Food Distribution Division (the Division) did not track the receipt of subrecipient audit reports or review reports to identify audit findings applicable to the Food Donation Program. OMB Circular A-133 requires pass-through entities to ensure that subrecipients meet prescribed audit requirements, issue management decisions on audit findings within six months after receipt of a subrecipient's audit report, and ensure that subrecipients take timely and appropriate corrective action on audit findings.

The Division's subrecipient grant award documents for the Food Donation Program require that subrecipients submit audit reports. However, Division staff were unaware of their responsibilities regarding the reports, and consequently, audit reports received were discarded and no record of which subrecipients submitted reports was maintained.

Recommendation: We recommend that the Division develop and implement procedures to comply with OMB Circular A-133 requirements regarding subrecipient audit reports.

Agency's Response: We concur with the audit finding. We were aware of the requirement for the subrecipients to submit audit reports but were not adequately following up to ensure compliance with OMB Circular A-133. We will implement procedures to comply with the requirements of OMB Circular A-133 regarding subrecipient audit reports.

DISTRIBUTION OF AUDIT RESULTS

EXECUTIVE BRANCH

The Honorable Michael F. Easley	Governor of North Carolina
The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
The Honorable Britt Cobb	Commissioner
	Department of Agriculture and Consumer Services

LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

President Pro Tempore	Speaker of the House
Senator Marc Basnight, Co-Chair	Representative James B. Black, Co-Chair
Senator Charles W. Albertson	Representative Richard T. Morgan, Co-Chair
Senator Patrick J. Ballantine	Representative Martha B. Alexander
Senator Daniel G. Clodfelter	Representative Rex L. Baker
Senator Walter H. Dalton	Representative Bobby H. Barbee, Sr.
Senator Charlie S. Dannelly	Representative Harold J. Brubaker
Senator James Forrester	Representative Debbie A. Clary
Senator Linda Garrou	Representative E. Nelson Cole
Senator Wilbur P. Gulley	Representative James W. Crawford, Jr.
Senator Fletcher L. Hartsell, Jr.	Representative William T. Culpepper, III
Senator David W. Hoyle	Representative W. Pete Cunningham
Senator Ellie Kinnaird	Representative W. Robert Grady
Senator Jeanne H. Lucas	Representative Joe Hackney
Senator Stephen M. Metcalf	Representative Julia C. Howard
Senator Anthony E. Rand	Representative Joe L. Kiser
Senator Eric M. Reeves	Representative Edd Nye
Senator Robert A. Rucho	Representative William C. Owens, Jr.
Senator R. C. Soles, Jr.	Representative Wilma M. Sherrill
Senator Scott Thomas	Representative Thomas E. Wright

Other Legislative Officials

Mr. James D. Johnson	Director, Fiscal Research Division
----------------------	------------------------------------

March 12, 2004

ORDERING INFORMATION

Copies of this report 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

Internet: <http://www.ncauditor.net>

Telephone: 919/807-7500

Facsimile: 919/807-7647