



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

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*Review follow-up conducted July 5, 2006 by John Price, OSA review team leader. Each funding agency should review the comments for their respective grants to make determination as to whether the actions taken by the Parish satisfy the concerns noted in the review.*

June 28, 2006

David Grissom, Chairman  
Board of Directors  
Caswell County Parish, Inc.  
1038 North Main Street  
P.O. Drawer F  
Yanceyville, North Carolina 27379

RE: Review of State Grant Expenditures

Dear Mr. Grissom:

During April and May, representatives from the Department of Administration, the Department of Juvenile Justice and Delinquency Prevention (DJJDP), the Governor's Crime Commission, and the Office of the State Auditor performed a review of the Caswell County Parish Inc. (Parish). This review was based on concerns raised by the State agencies awarding grants to the Parish. The State Auditor's Office took the lead in the review and enlisted the aide of the three agencies that provide funding through grants to the Parish. These agencies provided staff to review their specific grants. The objectives of the reviews were: (1) to review the Parish's internal controls and overall accounting environment, and (2) to assess the Parish's compliance with the terms of each grant.

This letter contains the collective overall findings and recommendations from each agency. Although the Parish is providing a valuable service to the community, we noted serious financial and procedural problems that need to be addressed immediately as discussed in the findings and recommendations presented below. Additionally, the Parish was unable to provide the required documentation for the Governor's Crime Commission grant and the Department of Juvenile Justice and Delinquency Prevention grants. Questioned funds totaling \$16,298.06 (discussed below) will have to be repaid before the Parish is considered in compliance with the terms of the contracts. Until these issues are resolved, the Parish is not eligible to receive further grant funding from any of these State grants. Attachment 1 gives you a list of the steps you should consider taking to satisfy the concerns noted in this letter.

***General Financial and Procedural Findings:***

**The staff does not have the expertise and knowledge to effectively utilize the accounting software.** Caswell County Parish uses “Quick Books” accounting software to process its bookkeeping; however, we noted that the staff was not able to use the software to generate the specific report requested. Specifically, the agency could not provide a check register to ensure that all checks were accounted for. The report that was provided by the Parish showed gaps in check numbers that could not readily be explained.

**Recommendation:** The Parish should assist staff in obtaining the necessary training to effectively and efficiently operate the Parish’s software. In addition, reports generated should be reviewed to ensure that all checks are accounted for.

**REVIEW FOLLOWUP 7/5/06:** *The Parish has now contracted with the Caswell County Finance Director to train the bookkeeper in how to use the QuickBooks program. Additionally, the Finance Director will establish a uniform chart of accounts to allow the Parish to account for each grant’s receipts and expenditures separately. The Finance Director will also assist in recording daily receipts, processing payments, check reconciliation, preparing budget reports for the Executive Director and Board, and assist in budget preparation for the new fiscal year.*

**The Parish has been making payments without supporting documentation.** During our review of expenditures, we noted several instances where payments lacked documentation to support the payment. The Parish requires two signatures on checks: the bookkeeper’s and the executive director’s. Additionally, the executive director has the sole responsibility of approving all expenditures, including her own. The Board of Directors has had little oversight of the payment function. These procedures are fiscally insecure because they do not provide the necessary level of separation of functions or checks and balances for payment of funds. Not having supporting documentation allows for expenditures to be approved in error.

**Recommendation:** The board should take immediate steps to provide active oversight of all operations of the Parish, including the payment function. Active oversight by the board would include such things as monthly review of the financial statements and a listing of all disbursements. The Parish should immediately require Board approval for all payments to the Executive Director. Also, there should be a requirement that a member of the board be one of the signatories on the checks, as well as requiring supporting documentation to support payments. Separation of duties for check signing responsibilities must be established. Additionally, board approved policies and procedures should be developed that identify procedures for the payment of invoices along with identifying and delegating check signing responsibilities to board member(s).

**REVIEW FOLLOWUP 7/5/06:** *The Parish has now implemented procedures that require the Executive Director to attach copies of supporting documentation to each voucher. All checks have to be approved and signed by the Executive Director and one of the executive Board members (chair, vice chair, treasurer, or secretary). However, this procedure could not be confirmed since the Parish does not have any funds and no payments have been made since this procedure was put in place.*

**The Parish did not have adequate written policies and procedures in place for its internal operations.** At the time of the review, the Parish was unable to supply current general operating procedures or any specific procedures related to the three State grants received by the Parish.

**Recommendation:** Board approved policies and procedures that clearly identify the internal functions of the organization should be established as soon as possible. The policies and procedures should clearly outline responsibilities, as well as give specific procedures that should be followed.

**REVIEW FOLLOWUP 7/5/06:** *The Parish has now established written policies and procedures for all aspects of operation. OSA has a copy of this new manual and will forward it to each of the funding agencies for review and comment.*

***Governor's Crime Commission findings:***

**Recordkeeping for the Governor's Crime Commission grant was insufficient.** Caswell County Parish overstated its expenditures to the Governor's Crime Commission by \$4,730.07 for fiscal year 2006. The grant was split 80% federal / 20% match; thus, Caswell County Parish owes the Governor's Crime Commission \$3,784.06 for its portion. It was also noted that there was extremely poor bookkeeping for fiscal year 2005, as none of the cost reports submitted were correct; however, all figures for the fiscal year equal those claimed.

<b>Governor's Crime Commission Grant Review</b>	
<b>Reported and Actual Expenditures:</b>	
<b>Reported Expenditures:</b>	<b>\$ 15,583.50</b>
<b>Less: Actual Expenditures:</b>	<b>10,853.43</b>
<b>Over Claimed:</b>	<b>\$ 4,730.07</b>
<b>Federal Portion:</b>	<b>80%</b>
Repayment Due	<u><u>\$ 3,784.06</u></u>

**Recommendation:** The Parish should immediately repay the questioned amounts noted above. The Parish should take the steps necessary to keep accurate cost reporting for grants. See recommendations above.

**REVIEW FOLLOWUP 7/5/06:** *The Parish has not closed out this grant yet. The Parish requests that the federal portion of the costs discussed above be withheld from the release of the 4<sup>th</sup> quarter funds for this grant. The assistance being provided by the Caswell County Finance Director should eliminate the problems that allowed this overstatement to occur. This data is being supplied to the Governor's Crime Commission for review and comment.*

***Governor's One on One Program and Juvenile Crime Prevention Center's (JCPC) findings:***

**The Parish failed to track staff payments from the Governor's One on One grant.** Account codes used for tracking Governor's One on One salary payments were difficult to extract because there was no account coding established to separate these transactions. Additionally, there was no information in employee files to support salary amounts paid by the organization for Governor's One on One staff or JCPC staff. There was also no information concerning hire dates, salary, background/reference check, and employee evaluations.

**Recommendation:** An appropriate account coding structure must be established to accurately track Governor's One on One payroll expenditures. The report must clearly show that the expenditures are separated by program source. The organization must update personnel files for each staff member paid from Governors One on One and JCPC staff with pay information that will serve as a basis for salary payments. A printout of payroll activity must be provided for the period that was reviewed, clearly showing the separation.

***REVIEW FOLLOWUP 7/5/06:** As of July 1<sup>st</sup>, all Parish employees are being required to complete timesheets. This procedure could not be confirmed since all employees are on unpaid leave pending resolution of the Parish's financial problems. The uniform chart of accounts being established will allow the accurate tracking of funds from each grant. All employee files have been updated to ensure that the required information is contained in them. Reference checks will now be done for all employees, as will employee evaluations. Review of employee files shows that these procedures have been implemented. This data is being forwarded to DJJDP for review and comment.*

**Reimbursement Request Invoice forms and supporting documentation were not filed with the Department of Juvenile Justice and Delinquency Prevention.** According to Department records, required reimbursement request invoices were not submitted for the months of August, September, October, and November 2005. Documentation provided to the Department indicates the Program Director position was occupied for three of the four months mentioned above. Additionally, the source of payroll printouts submitted to the Department on behalf of Donna Allen cannot be properly identified. The reviewer from DJJDP noted costs of \$ 12,514.00, for the time period from July 2004 to January 2006; for which there was no supporting documentation. These funds should be repaid to DJJDP unless supporting documentation can be supplied.

**Recommendation:** The Parish should immediately repay the questioned amount above unless it can provide supporting documentation. Additionally, the Parish should provide the Department with the exact termination date of Warren Fowler and hire date for Donna Allen. A legitimate payroll journal, clearly identifying the source of the payroll printout as the check registry, general ledger, and/or payroll registry should be submitted to the Department. The Parish is required to submit copies of personnel checks and a printout of checks shown on the General Ledger accompany Reimbursement Request Invoice Forms. The Parish should take steps to comply with the grant reimbursement requirements.

***REVIEW FOLLOWUP 7/5/06:** The Parish provided copies of the missing reimbursement requests discussed above. OSA will forward the supplied reimbursement requests to DJJDP for the period August 2005 through May 2006. The documentation supplied shows the source of the payroll printouts for Donna Allen. The termination date for Warren Fowler has also been supplied. The termination and hire dates of the questioned individuals were confirmed through review of the personnel files. This data is being forwarded to DJJDP for review and comment.*

**Governor's One-on-One Program Director job description lacking.** The Program Director did not have an up to date job description that clearly outlined responsibilities and major functions of the position.

**Recommendation:** The Parish should immediately provide an up-to-date job description for the One-on-One Program Director, identifying key roles and responsibilities of the position.

**REVIEW FOLLOWUP 7/5/06:** *The Parish revised the questioned job description as of March 28, 2006. OSA will forward a copy of this information to DJJDP for review and comment.*

**Client files are not properly secured.** Client files are located in notebooks on the shelf in the One-on-One Program Director's office in plain view.

**Recommendation:** Secure files in a locked file cabinet or other secure conventional method to ensure the confidentiality of youth and families participating in the program.

**REVIEW FOLLOWUP 7/5/06:** *The Parish has now secured the questioned files in a locked file cabinet located in a locked office. OSA found both the office door and the file cabinet locked at the time of the follow-up. This information is being forwarded to DJJDP for review and comment.*

***Department of Administration, Domestic Violence Program's findings:***

**The Executive Director's time was not adequately documented.** In looking over the 2004-2005 financial information, it appears that the administrative costs were running about 23% of the Council Funded Budget. There was also no documentation, via time sheet, for the Executive Director's time with the Program. Staff interviews indicated she spent 5½ hours during the entire six months on this program.

**Recommendation:** The Parish should take steps to provide the required documentation for all personnel costs charged to the Domestic Violence Program grant.

**REVIEW FOLLOWUP 7/5/06:** *As of July 1, 2006, all employees, including the Executive Director, will be required to keep a daily timesheet. However, this procedure could not be confirmed since all employees are on unpaid leave until the financial difficulties of the Parish are resolved. This information is being forwarded to the Domestic Violence Program for review and comment.*

**Parish records do not provide sufficient documentation to determine how FACT program funds are being used.** The FACT program (Abuser Treatment), should be economically self-sustaining because Judges sentence each abuser to the program with a Judgment of \$200.00. A contract had been entered into by the Parish with Deep River Baptist Church for FACT Facilitators. The Fact Facilitators were paid \$150.00 per session for six months, yet Parish records indicate that only an estimated \$275.00 had been collected from the participants. The source of the funding for the contract payment was unclear.

**Recommendation:** The Parish should take immediate steps to improve the recordkeeping for the Domestic Violence Grant, as well as any other grants received by the Parish. Transactions for each grant, including the Domestic Violence Grant, should be recorded in a manner to allow the identification of both receipts and expenditures from the grant. All budget line item

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transfers must be requested in writing and be approved by the Domestic Violence Grants Administrator prior to moving any funds.

**REVIEW FOLLOWUP 7/5/06:** *The Parish plans to have the contractor provide more complete records of payments ordered under this program. However, this procedure could not be confirmed since no reports had been provided by the contractor as of the date of the follow-up. The uniform chart of accounts being set up (discussed above) should accurately track the funds collected under this program. This information is being forwarded to the Domestic Violence Program for review and comment.*

Please review all of the above information and make the necessary steps recommended to ensure that you will come into compliance with the terms and conditions of each grant. Until the issues outlined above are resolved, funding to the Parish cannot be resumed. We are hereby notifying the Office of State Budget and Management via a copy of this letter. The Office of the State Auditor, as well as the funding agencies involved, will assist you to the extent that we can so that you can continue to provide needed services to your community. Should you have questions relating to any of the items above, contact my office (John Price, team leader, 919-807-7605) or the individual funding agency.

Sincerely,



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

cc: Tom Newsome, Office of State Budget and Management  
Kathy Harrelson, Department of Administration  
Andrea Millington, Department of Juvenile Justice and Dropout Prevention  
Wes Walters, Governor's Crime Commission

Attachment 1

Caswell County Parish, Inc. Letter, June 26, 2006

To come into compliance and be eligible to receive State grant funds again, the Caswell County Parish, Inc. should do the following:

1. Board Oversight:

- Review current financial reports at each monthly board meeting. At a minimum, the finance committee should review
  - A list of expenditures made each month in sequential order by check number to account for all vouchers.

**REVIEW FOLLOWUP 7/5/06:** *The Parish Board has not had a meeting since July 1, 2006 when the changes took effect. The proposed Board procedures will have the executive Board members review a monthly list of expenditures and account for all vouchers.*

- Have the Executive Committee of the Board approve all non-payroll expenditures made to the Executive Director.

**REVIEW FOLLOWUP 7/5/06:** *The Parish Board plans to review all purchases made by the Executive Director beginning July 1, 2006*

- Include a Board member as a signatory on all accounts. Have all checks signed by 2 designated officials—the Executive Director and a Board member. Checks should have supporting documentation attached when signed.

**REVIEW FOLLOWUP 7/5/06:** *The Parish Board has designated members of the executive committee to sign all checks and to ensure that supporting documentation is attached to each voucher.*

- Development of detailed policies and procedures for all functions of the Office

**REVIEW FOLLOWUP 7/5/06:** *The Parish Board has developed “The Employee Handbook: Personnel and Fiscal Operations Policies and Procedures Manual. Attached.*

- Assure repayment to the State of questioned costs as shown in the attached letter or provide missing documentation to support the use of the State grant funds.

**REVIEW FOLLOWUP 7/5/06:** *The Parish Board has requested that the funds due back to the Governor’s Crime Commission grant be withheld from the 4<sup>th</sup> quarter funds once released. The supporting documentation for the questioned costs on the Department of Juvenile Justice and Delinquency Prevention funds has been supplied to that Department.*

2. Executive Director:

- Provide Quick Books training to bookkeeper and/or other users of the system. Training may be available from the Caswell County Finance Director who is now helping to straighten out the financial records.

**REVIEW FOLLOWUP 7/5/06:** *The Parish has entered into a contract with the Caswell County Finance Director to provide this training, as well as other financial support function during the period April 13 to June 30, 2006. These functions were on-going during the follow-up.*

- Require all users of the accounting system to have a secure password.

**REVIEW FOLLOWUP 7/5/06:** *The Parish has implemented this procedure, and it was in use at the time of the follow-up*

- Require supporting documentation for all payments be attached to copy of each voucher.

**REVIEW FOLLOWUP 7/5/06:** *The Parish has now implemented procedures that require the Executive Director to attach copies of supporting documentation to each voucher. All checks have to be approved and signed by the Executive Director and one of the executive Board members (chair, vice chair, treasurer, or secretary). However, this procedure could not be confirmed since the Parish does not have any funds and no payments have been made since this procedure was put in place.*

- Establish and implement a system of account coding to track revenue and expenditures for the different programs. This should include tracking payments made to the FACT abuser treatment program as contained in Judicial Orders.

**REVIEW FOLLOWUP 7/5/06:** *The Parish has now contracted with the Caswell County Finance Director to train the bookkeeper in how to use the QuickBooks program. Additionally, the Finance Director will establish a uniform chart of accounts to allow the Parish to account for each grant's receipts and expenditures separately. The Finance Director will also assist in recording daily receipts, processing payments, check reconciliation, preparing budget reports for the Executive Director and Board, and assist in budget preparation for the new fiscal year.*

- Update all job descriptions to show current duties and responsibilities.

**REVIEW FOLLOWUP 7/5/06:** *The Parish has now updated all job descriptions. At the time of the follow-up, a sample of the job descriptions was examined and found to be current.*

- For staff working on more than one program, begin keeping a timesheet to support allocations of salary to those programs. This should include time for the Executive Director.

**REVIEW FOLLOWUP 7/5/06:** *As of July 1, 2006, all employees, including the Executive Director, will be required to keep a daily timesheet. However, this procedure could not be confirmed since all employees are on unpaid leave until the financial difficulties of the Parish are resolved.*