

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

STATE OF NORTH CAROLINA
Office of the State Auditor

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October 10, 2006

Ms. Andrea Millington, Internal Auditor
Department of Juvenile Justice & Delinquency Prevention
Raleigh, NC

Ms. Laketha Miller, Controller
Department of Health and Human Services
Raleigh, NC

RE: Bertie – Martin – Washington Community Development Center
Grant Amount: \$85,330 State Fiscal Year 2005 – DJJDP
Grant Amount: \$49,004 State Fiscal Year 2005 – DHHS

Dear Ms. Millington and Ms. Miller:

The Office of the State Auditor has selected the grants awarded to the Bertie-Martin-Washington Community Development Center for a monitoring and compliance review. These grants were selected because they are on the non-compliance list. This letter outlines the general scope of the review to be conducted by John Price of our office. The review will include activities surrounding State grants for State fiscal year 2005, including monitoring and oversight functions of the funding agencies.

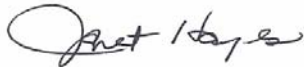
The review will be conducted the week of October 16, 2006. In the event we find noncompliance with the grant terms, documentation weaknesses, or other problems, we will inform you. However, if for the specific items we examine we do not identify any concerns, then we will not prepare any report.

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Ms. Andrea Millington
Ms. Laketha Miller
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Please contact me at 919-807-7558, Janet_Hayes@cauditor.net, or Mr. Price at 919-807-7605, John_Price@ncauditor.net, to discuss any questions you may have relative to the review.

Sincerely,

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

A handwritten signature in cursive script that reads "Janet Hayes".

Janet Hayes, Director
Management Services and
Nongovernmental Compliance Division
Office of the State Auditor

Cc: Leslie Merritt, Jr.
State Auditor
Secretary Carmen Hooker Odom
Department of Health and Human Services
Secretary George L Sweat
Department of Juvenile Justice and Delinquency Prevention
Thyron Williams, Board Chair
Bertie-Martin-Washington Community Development Corporation



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November 6, 2006

Ms. Andrea Millington, Internal Auditor
Department of Juvenile Justice and Delinquency Prevention
Raleigh, NC

Ms. Laketha Miller, Controller
Department of Health and Human Services
Raleigh, NC

RE: Bertie–Martin–Washington Community Development Center
Grant Amount: \$85,330 State Fiscal Year 2005 – DJJDP
Grant Amount: \$49,004 State Fiscal Year 2005 – DHHS

Dear Ms. Millington and Ms. Miller:

The Office of the State Auditor conducted a compliance and monitoring review of the grants awarded to the Bertie-Martin-Washington Community Development Center for State fiscal year 2005. The Center was chosen for review because it failed to file the annual grants reports required under G.S. 143-6.2 within the established timeframes¹ and is currently shown on the Suspension List maintained by the Office of State Budget and Management. Discussion with both funding agencies indicated that they had concerns over the lack of reporting and that no State grants funds had been awarded to this grantee for State fiscal year 2006.

The review was conducted by John Price during the week of October 16, 2006. During the site visit, Mr. Price learned that the Center has closed due to lack of funding. At the time of the review, the Center had outstanding debts to various creditors. Additionally, it owed back Federal taxes for which the IRS has filed a lien on the property owned by the Center.

¹ Bertie-Martin-Washington Community Development Center filed the required annual reports for the 2005 grant period on August 18, 2006. The reports were due by June 30, 2006.

The review examined a sample of 20 expenditures for reasonableness, whether the expenditures were approved, had supporting documentation, and whether the internal controls prevented them from being paid twice. These expenditures totaled \$20,081 or approximately 15% of total grants amounts.

Examination of the Center's financial records showed that the Center's chart of accounts was set up to identify expenditures to each source of revenue. The results of the sample reviewed showed the following:

- 12 expenditures (60%) had not been authorized for payment
- 15 expenditures (75%) were not canceled to prevent duplicate payments
- 14 expenditures (70%) did not have supporting documentation or the documentation was not sufficient to support the expenditure

Additionally, during the review, we noted that the Center did not maintain time records or other documentation to support the allocation of overhead costs, such as salaries, benefits, travel, to each of the grants.

Therefore, based on the review, we recommend that each of the funding agencies examine all expenditures from the 2005 grant period. This examination should seek to determine the appropriateness and allowability of the expenditures charged to each grant.

Please contact Ms. Janet Hayes, Director Management Services and Nongovernmental Compliance Division, at 919-807-7558, Janet_Hayes@cauditor.net, or Mr. Price at 919-807-7605, John_Price@ncauditor.net, to discuss any questions you may have relative to the review.

Sincerely,



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

Cc: Secretary Carmen Hooker Odom
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