



STATE OF NORTH CAROLINA
Office of the State Auditor

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

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April 9, 2007

Ms. Leslie Johnson, Director
Word of God Fellowship
3000 Rock Quarry Rd
Raleigh, North Carolina 27620

RE: State Grants from:

Department of Health and Human Services—State Fiscal Year 2005, \$9,673.40; for 2006 \$22,266.58
Department of Public Instruction— State Fiscal Year 2005, \$16,807.41; for 2006 \$8,664.76

Dear Ms. Johnson:

We have completed certain limited procedures described below at the Word of God Fellowship (WOGF) related to its management of state grant funds. Our objective was to identify deficiencies in internal control; instances of noncompliance with laws, regulations, and provisions of contracts or grants agreements; and/or deficiencies in the management of financial resources based solely on the performance of these procedures.

These procedures do not constitute an audit, examination or a review as described in professional standards governing those types of services. Furthermore, our procedures were not agreed upon by you or any third party. Our procedures do not provide a basis for providing any level of assurance regarding internal control, compliance or financial management and should not be relied upon for that purpose.

Specifically, our procedures consisted of the following:

- Interviewing personnel;
- Examining accounting records for the purpose of identifying state grant transactions;
- Examining documentation supporting selected transactions and balances;
- Reviewing available policies and procedures; and
- Reviewing available board minutes.

The results of these procedures conducted on January 31, 2007 and February 2, 2007 disclosed internal control deficiencies, instances of noncompliance and/or other matters of concern that are described in the attached findings and recommendations. Your written response to the draft findings is contained herein, starting on page 5, as part of this final letter.

This letter will be published on our Electronic Publication System (EPS) at www.ncauditor.net. You and others who are interested in the publication should register with EPS on the web site. Registered parties will receive an email notification and a link to the publication as soon as it is available.

This letter is intended solely for the information and use of the board of directors, management of the Word of God Fellowship, the Governor, the General Assembly, and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



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

LWMjr/jhp

Attachment

CC: Secretary Carmen Hooker Odom
Department of Health and Human Resources
Laketha Miller, Controller
Department of Health and Human Resources
State Superintendent June Atkinson
Department of Public Instruction
Tom Newsome, Assistant State Budget Officer
Office of State Budget and Management
Dr. Frank Summerfield, Sr, Board Chair,
Word of God Fellowship Board
Members, Word of God Fellowship Board

Word of God Fellowship FINDINGS AND RECOMMENDATIONS

1. WORD OF GOD FELLOWSHIP DOES NOT HAVE AN ADEQUATE CHART OF ACCOUNTS TO ALLOW TRACKING OF STATE GRANT FUNDS.

All monies received by the grantee are deposited into a single checking account containing both State grant funds and private funds from other sources of revenue. However, the chart of accounts does not allow the tracking of expenditures by funding source. This results in the inability to determine which expenditures are supported by State grant funds. One of the requirements of the State grant agreement is to keep accurate records of how the grant funds are used.

Recommendation:

Word of God Fellowship should design and implement a revised chart of accounts that will allow expenditures be to be linked to funding source. This will allow the clear identification of State grant expenditures and will allow reviewers of those expenditures to determine that they were made in conformance with the terms of the grant contract.

2. WORD OF GOD FELLOWSHIP DOES NOT HAVE WRITTEN, COMPLETE, OR UP-TO-DATE POLICIES AND PROCEDURES.

At the time of the review, Word of God Fellowship was unable to supply written policies and procedures for its internal operations related to the State grants it received. Every organization, regardless of size, should have formal, written policies and procedures which address all aspects of operations. Procedures should include administrative, personnel, financial, and programmatic functions which detail actions to be taken by staff in different situations. Lack of written policies and procedures can lead to inconsistency and weakness in internal controls.

Recommendation:

The board of directors should immediately instruct the Executive Director to develop draft procedures for all aspects of the Word of God Fellowship's operations. After each section is completed, the executive director should submit these proposed policies and procedures to the board for consideration and approval. Once approved, the policies and procedures should be immediately implemented.

3. TESTING REVEALED WEAKNESSES IN THE APPLICATION OF INTERNAL CONTROLS AT WORD OF GOD FELLOWSHIP.

We reviewed a sample of 52 expenditures for January 2005 through December 2006. We found:

- 34 of 52 (65%) expenditures did not show indication that they had been approved by management prior to being paid,
- 32 of 52 (62%) did not have any supporting documentation or lacked adequate documentation, such as invoice or receipt to support payment, needed to determine if the expense was reasonable;
- 51 of 52 (98%) invoices had not been effectively canceled to prevent duplicate payment.

Weaknesses in internal controls such as these can lead to misappropriation of assets or errors in the payment of expenditures.

Recommendation:

The board of directors should assess the existing internal controls and implement measures to strengthen them, concentrating on the specific problems noted above. The executive director should be required to report periodically to the board on the internal controls in place. The board's finance committee should periodically review controls to assure itself that controls are adequate and should test a sample of the expenditures to assure that internal controls are being used to protect assets.

4. WORD OF GOD FELLOWSHIP WAS UNABLE TO PROVIDE WRITTEN BOARD MINUTES.

Management was asked on several occasions to provide copies of board meeting minutes. After numerous attempts, management provided the review team with an agenda of a board meeting but was unable to provide actual board minutes for any meetings. The board chair was also contacted and could not provide copies of the minutes. Board meetings should be documented through written minutes which contain the details of any decisions made by the board. Lack of board minutes can lead to confusion over decisions made and/or the inconsistent enforcement of those decisions.

Recommendation:

The board should appoint a secretary who is charged with taking minutes at all board meetings. The completed minutes should be distributed to all board members prior to the next meeting, at which time the minutes should be officially adopted by the board. Any meetings of subcommittees established by the board should also result in written minutes.



*Word of God
Fellowship Church*

March 26, 2007

Leslie Merritt, Jr. CPA, CFP
State Auditor
2 Salisbury Street
Raleigh, NC 27699

RE: Response to State recommendations

Dear Mr. Merritt:

Word of God Fellowship acknowledges the findings and recommendations of NC State Auditor office in reference to state grants. We have immediately rectified any deficiencies noted by your office. Word of God Fellowship and the board of directors will continue to be in full compliance with state, local, and federal guidelines.

Response to item # 1

1. Word of God Fellowship's Finance director is implementing a revised chart of accounts that reflects all grants from DHHS and Public Instruction. The revised chart of accounts will be in place by April 1, 2007. The new chart of accounts will show clear identification of State grant expenditures. Our improved process will continue to show that we are in full compliance with all terms of all grant contracts.

Response to item # 2

2. The board of directors has instructed administrators of Word of God Fellowship to prepare formal written policies and procedures for all aspects of the company operations. The SOP manual will supplement our company memorandums that currently provide company policy standards. The administrators will prepare the drafted policies and submit to the board of directors for final approval. Upon the boards final approval, the board will conduct a mandatory training session for company employees to distribute and discuss the new SOP manuals.

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Response to item # 3

3. The Finance director of Word of God Fellowship has effective immediately implemented new procedure, that will insure that all invoices and receipts will have all supporting documentation attachments in the financial files . The board of directors also mandated that the CFO use a payment stamp on all approved expenditures. The board finance committee will conduct internal control audits a minimum of twice a fiscal year.

Response to item # 4

4. Word of God Fellowship board of directors does have a board secretary that record minutes for all meetings. However, based on the conversation our executive secretary had with John Price she explained the board secretary keeps all board files. The only official board items she had on file then was the board agendas.

The board of directors by a quorum vote has given the chairman of the board authorization to handle grant funds that reflect our food programs. We have also implemented a line item for state and government funding in our board meeting agenda. The board will discuss the expenditures and allocations of government and state funding.

Respectively submitted,

/s/ Leslie Johnson

Leslie Johnson, CDM,CFPP
Word of God Fellowship

CC: WOGF Board of Directors
Finance Director