



STATE OF NORTH CAROLINA  
Office of the State Auditor

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

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March 7, 2008

Ms Karen Wright-Fairley, Executive Director  
Mr. Raz Autry, Board Chairman  
Hoke County Youth and Family Services, Inc.  
290 Fairway Lane  
Raeford, NC 28376

RE: State Grants from the Department of Health and Human Services  
State Fiscal Year 2006, \$16,282.  
State Grants for the Department of Administration  
State Fiscal Year 2006, \$59,498  
State Fiscal Year 2005, \$59,321

Dear Ms. Wright-Fairley and Mr. Autry:

We have completed an examination of grant funds, encompassing certain procedures<sup>1</sup> as described below. This examination, related to management of state grant funds by Hoke County Youth and Family Services, Inc., was conducted between September 12, 2007 and December 21, 2007. Our objective was to identify whether or not deficiencies in internal control, instances of noncompliance with laws, regulations, and/or deficiencies in the management of financial resources existed. North Carolina statutes authorize the Office of the State Auditor to have ready access to all records related to State and Federal funds. See N.C.G.S. § 147-64.7(a).

Since Hoke County Youth and Family Services, Inc. was no longer in operation and did not have a facility to conduct an on-site review, grant documentation was delivered to the Office of the State Auditor for review. Our procedures included, but were not limited to, interviewing personnel; examining accounting and other grant records for the purpose of identifying state grant transactions; reviewing available policies and procedures; and reviewing available board minutes.

The results of the examination conducted during September and December, 2007 disclosed internal control deficiencies, instances of noncompliance and/or

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<sup>1</sup> 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.

other matters of concern that are described in the attached findings and recommendations.

This letter, including your written response to the findings, will be published on our Electronic Publication System (EPS) at [www.ncauditor.net](http://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 management of the Hoke County Youth and Family Services, Inc., the Governor, the General Assembly, the Office of State Budget and Management and grantor agency 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/jef

Attachment

CC: Secretary Britt Cobb  
Department of Administration  
Secretary Dempsey Benton  
Department of Health and Human Services  
Ms. Laketha Miller, Controller  
Department of Health and Human Services  
Mr. Tom Newsome, Assistant State Budget Officer  
Office of State Budget and Management  
Mr. Roy Cooper, Attorney General  
Department of Justice

## **Hoke County Youth and Family Services, Inc.**

### **FINDINGS AND RECOMMENDATIONS**

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**Overview:** Hoke County Youth and Family Services, Inc. (Hoke) was an organization that served domestic violence victims in Hoke County and the surrounding areas. The organization ceased operations at the end of June 2006. State grant funds came from the following sources:

**Department of Administration-N.C. Council for Women/Domestic Violence**

**Commission—Domestic Violence and Marriage Fees Grant—**The grants for FY2005 and FY2006 were to assist domestic violence victims by providing counseling and other services as needed. The FY 2005 grant provided funding for staff salaries and fringe benefits, supplies, postage, shelter expenses and insurance bonding. The FY2006 grant provided funding for staff salaries only.

**NC Department of Health and Human Services-Division of Social Services-Family Violence Prevention Grant—**This grant started in FY2006. The grant was to provide funding for servicing an additional 25 clients and to establish a shelter.

#### **1. HOKE COUNTY YOUTH AND FAMILY SERVICES, INC. WAS NOT IN COMPLIANCE WITH NORTH CAROLINA GENERAL STATUTE 143C-6-23(c)<sup>2</sup> REGARDING OVERDUE TAXES.**

G.S. § 143C-6-23(c) states:

No Overdue Tax Debts. – Every grantee shall file with the State agency or department disbursing funds to the grantee a written statement completed by that grantee's board of directors or other governing body stating that the grantee does not have any overdue tax debts, as defined by G.S. 105-243.1, at the federal, State, or local level. The written statement shall be made under oath and shall be filed before the disbursing State agency or department may disburse the grant funds. A person who makes a false statement in violation of this subsection is guilty of a criminal offense punishable as provided by G.S. 143C-10-1.

At the time the grant agreements were executed, neither the Department of Health and Human Services nor the Department of Administration obtained the required *Certification of No Overdue Taxes*, signed and notarized by representatives of Hoke County Youth and Family Services, Inc., stating that it did not have any overdue taxes. However, during the examination of grant funds, we found that Hoke had overdue State taxes owed to the North Carolina Department of Revenue. Thus, Hoke was not in compliance with the requirements stated in G.S. 143C-6-23(c), and continues to be in a tax delinquency status as of the writing of this letter.

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<sup>2</sup> At the time the questioned grants were executed, N.C.G.S. 143-6.2(b2) contained the No Overdue Tax Debts requirement. N.C.G.S. 143C-6-23(c) became effective July 1, 2007 with no changes to the wording relative to overdue taxes.

**Hoke County Youth and Family Services, Inc.**  
**FINDINGS AND RECOMMENDATIONS**

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*Recommendation:*

Although Hoke County Youth and Family Services, Inc. is not receiving State grant funding and is no longer providing services, the Office of the Attorney General should determine whether further action against Hoke County Youth and Family Services, Inc. is warranted under G.S. 143C-10-1 since it had outstanding taxes during the 2006 funding period. The Office of State Budget and Management should make a determination as to whether any action should be taken against the Department of Health and Human Services or the Department of Administration since both failed to follow the requirements in G.S. 143C-6-23(c) in obtaining the required certification from the grantee.

**2. HOKE DID NOT PROVIDE ADEQUATE RECORDS TO SUPPORT THE USE OF GRANT FUNDS.**

Hoke County Youth and Family Services, Inc. ceased operations June 30, 2006; with the Executive Director retaining custody of all the records according to the former Board Chair. The Office of the State Auditor contacted the former Executive Director to establish a time and location to review the grant records which the State requires the grantee to maintain for five years from the close of the grant. After numerous attempts to obtain the records for examination, only limited financial records were provided to the Auditor. Hoke did not provide records such as a chart of accounts, payroll records, invoices, receipts or other source documents to support the use of grant funds.

Hoke's Domestic Violence Statistical Report, submitted to the NC Council for Women/Domestic Violence Commission, stated it served 27 unduplicated individuals from July 01, 2005 through December 31, 2005. However, Hoke provided only one client file showing activity after June 30, 2005 and no other evidence of services to individuals after June 2005. Further, there is no evidence that Hoke actually established a shelter as required by the Family Violence Prevention Grant provided by the Department of Health and Human Services.

*Recommendation:*

The Department of Administration and the Department of Health and Human Services should consider seeking full reimbursement for all grant funds provided to Hoke County Youth and Family Services, Inc., for fiscal year 2006. The Office of State Budget and Management should continue to maintain Hoke County Youth and Family Services, Inc. on the suspension of

**Hoke County Youth and Family Services, Inc.**

**FINDINGS AND RECOMMENDATIONS**

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funding list to prevent it from receiving any further State grant funds until questions surrounding the 2006 grants are resolved.

**3. HOKE USED GRANT FUNDS FOR PURPOSES UNRELATED TO THE PROGRAM.**

During fiscal year 2006, records produced by Hoke showed all receipts, except approximately \$2,500, were from local and State sources. As documentation for the use of State grant funds, the former Executive Director provided only a limited records for fiscal years 2005 and 2006. She stated that she had purged all the records and kept only those she felt were important.

Our review of the documents provided revealed expenditures during both fiscal years 2005 and 2006 that did not appear to be related to the intent of the grants. Due to the lack of supporting documentation, we could not identify what items were purchased. However, vendor and location information identified in the bank statements showed many purchases were made in areas not served by the entity and appeared to be purchases for personal use. Questionable expenditures included ATM cash withdrawals made shortly before the organization closed and other charges unrelated to the purposes of the grants. The Executive Director was in sole possession of the debit card during this period. No Board minutes or other documentation was provided showing that the Board reviewed or approved any of these expenditures. Table 1 lists these questioned expenditures totaling \$18,374.88.

*Recommendation:*

The Office of the Attorney General should review this information and determine whether legal action should be taken against former officials of Hoke County Youth and Family Services, Inc. regarding potential misuse of funds.

**Note:** General Statute 147-64.6(c) (12) requires the Office of the State Auditor to provide written notice of apparent instances of violations of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee to the appropriate State authorities.

**Auditor's Note:** The grantee response to this report is shown starting on page 9. After submitting numerous replies to our findings since December, Hoke County Youth and Family Services has not addressed our concerns. In fact, the grantee brings in matters that further demonstrate that funds were used for purposes not related to the grant. After spending over \$135,000 in grant funds Hoke is no longer in existence and cannot supply adequate documentation on how those funds were spent.

**Hoke County Youth and Family Services, Inc.**

**FINDINGS AND RECOMMENDATIONS**

Table 1 Hoke County Youth and Family Services, Inc. Questioned Expenditures – August 2004 through June 2006					
Date	Vendor	City/State	Type	Purchase Description	Amount
Bank statements for July and August 2004 were not provided.					
08/31/04	Intuit Software	California	Debit Card	Unknown	\$379.95
09/02/04	Logan's Roadhouse Restaurant	Fayetteville, NC	Debit Card	Meals	\$60.00
09/03/04	Alltel	NA	Debit Card	Cell phone	\$80.32
09/16/04	Wal-Mart	Fuquay-Varina, NC	Debit Card	Unknown	\$18.03
09/26/04	Wal-Mart	Fuquay-Varina, NC	Debit Card	Unknown	\$114.16
Bank statements for October through December 2004 were not provided.					
01/28/05	Office Max	Cary, NC	Debit Card	Unknown	\$24.58
01/28/05	Office Max	Cary, NC	Debit Card	Unknown	\$149.78
02/07/05	Wal-Mart	Cary, NC	Debit Card	Unknown	\$213.35
02/08/05	Burlington Coat	Raleigh, NC	Debit Card	Unknown	\$10.69
02/14/05	Food Lion	Raeford, NC	Debit Card	Unknown	\$34.85
02/18/05	Wal-Mart	Cary, NC	Debit Card	Unknown	\$40.56
02/18/05	Wal-Mart	Fuquay-Varina, NC	Debit Card	Unknown	\$53.92
02/21/05	Cash Withdrawal	Raeford, NC	Debit Card	Unknown	\$20.00
02/25/05	Barns and Noble	Cary, NC	Debit Card	Unknown	\$13.90
03/12/05	Spartacus Grille	Cary, NC	Debit Card	Meals	\$30.00
03/14/05	Wal-Mart	Aberdeen, NC	Debit Card	Unknown	\$61.86
03/22/05	Borders Books	Cary, NC	Debit Card	Unknown	\$26.70
03/25/05	Flying J	Northeast, MD	Debit Card	Fuel	\$10.49
04/05/05	Shoe Show	Fayetteville, NC	Debit Card	Apparel	\$112.29
04/05/05	Wal-Mart	Fayetteville, NC	Debit Card	Unknown	\$192.88
04/05/05	Wal-Mart	Princeton, MD	Debit Card	Unknown	\$42.22
04/12/05	Wal-Mart	Cary, NC	Debit Card	Unknown	\$5.86
04/12/05	Wal-Mart	Fuquay-Varina, NC	Debit Card	Unknown	\$44.66
04/19/05	B Dalton	Cary, NC	Debit Card	Unknown	\$34.58
04/21/05	Fuller's Old Fashion Bar-B-Q	Lumberton, NC	Debit Card	Meals	\$6.96
04/21/05	Fuller's Old Fashion Bar-B-Q	Lumberton, NC	Debit Card	Meals	\$6.96
05/17/05	Office Depot.	Cary, NC	Debit Card	Unknown	\$59.13
05/20/05	Flying J	Haw River, NC	Debit Card	Fuel	\$29.86
06/02/05	Sam's Club	Fayetteville, NC	Debit Card	Unknown	\$159.54
06/13/05	Wal-Mart	Aberdeen, NC	Debit Card	Unknown	\$13.87
06/27/05	Barns and Noble	Cary, NC	Debit Card	Unknown	\$54.86
06/27/05	Office Depot	Cary, NC	Debit Card	Unknown	\$36.85
06/29/05	Office Max	Cary, NC	Debit Card	Unknown	\$81.40
07/01/05	Alltel	NA	Debit Card	Cell phone	\$87.60
07/02/05	Wal-Mart	Fuquay-Varina, NC	Debit Card	Unknown	\$106.96
07/07/05	U-Haul	Fayetteville, NC	Debit Card	Unknown	\$158.77
07/15/05	C'Mini Mart	Cary, NC	Debit Card	Fuel	\$20.00
07/23/05	Wal-Mart	Fuquay-Varina, NC	Debit Card	Unknown	\$34.31
08/01/05	Shell Oil	Raeford, NC	Debit Card	Fuel	\$25.02
08/25/05	Alltel	NA	Debit Card	Cell phone	\$216.25
09/01/05	Amoco Oil	Sanford, NC	Debit Card	Fuel	\$33.93
09/12/05	Radio Shack	Sanford, NC	Debit Card	Unknown	\$29.41
09/13/05	BP Oil	Cary, NC	Debit Card	Fuel	\$40.00
09/22/05	Flying J	Haw River, NC	Debit Card	Fuel	\$39.90
09/22/05	Wal-Mart	Wilkesboro, NC	Debit Card	Unknown	\$21.22
09/23/05	Flying J	Haw River, NC	Debit Card	Fuel	\$37.37
09/27/05	C'Mini Mart	Cary, NC	Debit Card	Fuel	\$45.30
09/28/05	Flying J	Haw River, NC	Debit Card	Fuel	\$21.10
09/29/05	Alltel	NA	Debit Card	Cell phone	\$94.87
09/29/05	Shell Oil	Raeford, NC	Debit Card	Fuel	\$40.85
09/29/05	BO's Super	Raeford, NC	Debit Card	Unknown	\$103.71
10/12/05	BC Moore & Sons	Raeford, NC	Debit Card	Unknown	\$145.32

*The response from the grantee has been reformatted to conform with the style and format of the rest of the report. However, no data has been changed.*

**Hoke County Youth and Family Services, Inc.**  
**FINDINGS AND RECOMMENDATIONS**

Table 1 (Continued) Hoke County Youth and Family Services, Inc. Questioned Expenditures – August 2004 through June 2006					
Date	Vendor	City/State	Type	Purchase Description	Amount
10/26/05	Levy Lien Garnishment	N/A	Bank Debit	Tax penalties late	\$6,703.69
10/27/05	Alltel	NA	Debit Card	Cell phone	\$297.13
11/02/05	Express Stop	Raeford, NC	Debit Card	Fuel	\$36.47
11/10/05	Friendly Quick Mart	Garner, NC	Debit Card	Fuel	\$31.38
11/29/05	Office Max	Cary, NC	Debit Card	Unknown	\$181.64
11/29/05	Wal-Mart	Fuquay-Varina, NC	Debit Card	Unknown	\$7.40
11/29/05	Exxon Mobil	Sanford, NC	Debit Card	Fuel	\$35.70
12/05/05	BP Oil	Cary, NC	Debit Card	Fuel	\$43.20
12/08/05	Amoco Oil	Sanford, NC	Debit Card	Fuel	\$20.00
12/13/05	Wal-Mart	Cary, NC	Debit Card	Unknown	\$18.95
12/15/05	Exxon Mobil	Raeford, NC	Debit Card	Fuel	\$30.00
12/19/05	Kangaroo Express	Sanford, NC	Debit Card	Fuel	\$20.01
12/29/05	Alltel	NA	Debit Card	Cell phone	\$142.48
01/11/06	Wal-Mart	Aberdeen, NC	Debit Card	Unknown	\$23.41
01/11/06	Amoco Oil	Sanford, NC	Debit Card	Fuel	\$45.46
01/19/06	Flying J	Haw River, NC	Debit Card	Fuel	\$38.38
01/19/06	Sweet Potatoes Restaurant	Winston-Salem, NC	Debit Card	Meals	\$29.00
01/20/06	Hawthorne Inn	Winston-Salem, NC	Debit Card	Lodging	\$67.79
01/27/06	Amoco Oil	Raleigh, NC	Debit Card	Fuel	\$37.28
01/28/06	Wal-Mart	Cary, NC	Debit Card	Unknown	\$80.95
02/09/06	Circle K	Cary, NC	Debit Card	Fuel	\$25.00
02/22/06	Shell Oil	Cary, NC	Debit Card	Fuel	\$36.51
02/23/06	Harris Teeter	Cary, NC	Debit Card	Unknown	\$12.62
02/24/06	Amoco Oil	Hillsborough, NC	Debit Card	Fuel	\$38.75
02/27/06	Alltel	NA	Debit Card	Cell phone	\$260.40
03/03/06	Circle K	Cary, NC	Debit Card	Fuel	\$30.01
03/04/06	A & K	Apex, NC	Debit Card	Fuel	\$20.00
03/20/06	Wal-Mart	Cary, NC	Debit Card	Unknown	\$182.61
03/20/06	Wal-Mart	Cary, NC	Debit Card	Unknown	\$26.47
03/20/06	Alltel	NA	Debit Card	Cell phone	\$95.40
03/21/06	Harris Teeter	Cary, NC	Debit Card	Unknown	\$50.89
03/21/06	Harris Teeter	Cary, NC	Debit Card	Unknown	\$19.96
03/21/06	Amoco Oil	Raleigh, NC	Debit Card	Fuel	\$43.05
03/28/06	Wal-Mart	Cary, NC	Debit Card	Unknown	\$128.19
03/28/06	General Revenue Report	NA	Debit Card	Unknown	\$138.25
04/02/06	Wal-Mart	Cary, NC	Debit Card	Unknown	\$21.37
04/04/06	Amoco Oil.	Garner, NC	Debit Card	Fuel	\$41.01
04/04/06	B & N Membership renewal	NY	Debit Card	Unknown	\$25.00
04/07/06	Tosca Ristaurante.	Durham, NC	Debit Card	Meals	\$32.00
04/08/06	Carolina Clearinghouse Furniture & Interiors	Raleigh, NC	Debit Card	Furniture	\$2,024.44
04/12/06	Tosca Ristaurante .	Durham, NC	Debit Card	Meals	\$38.00
04/13/06	Wal-Mart	Cary, NC	Debit Card	Unknown	\$6.42
04/18/06	Maxway Store	Raeford, NC	Debit Card	Fuel	\$43.34
04/21/06	Han-Dee Hugo's .	Cary, NC	Debit Card	Unknown	\$48.00
04/21/06	Alltel	NA	Debit Card	Cell phone	\$250.00
04/23/06	Wal-Mart	Laurinburg, NC	Debit Card	Unknown	\$156.84
04/23/06	Wal-Mart	Rockingham, NC	Debit Card	Unknown	\$155.82
05/03/06	Alltel	NA	Debit Card	Cell phone	\$40.00
05/04/06	Levy Lien Garnishment	N/A	Bank Debit	Tax penalties	\$73.05
05/04/06	Alltel	NA	Debit Card	Cell phone	\$133.48
05/09/06	Cash Withdrawal .	Cary, NC	Debit Card	Unknown	\$100.00
05/11/06	Flying J.	Haw River, NC	Debit Card	Fuel	\$30.00
05/12/06	Sheraton Hotel .	Greensboro, NC	Debit Card	Lodging	\$135.66

**Hoke County Youth and Family Services, Inc.**  
**FINDINGS AND RECOMMENDATIONS**

Table 1 (Continued)					
Hoke County Youth and Family Services, Inc.					
Questioned Expenditures – August 2004 through June 2006					
Date	Vendor	City/State	Type	Purchase Description	Amount
05/15/06	Wal-Mart	Cary, NC	Debit Card	Unknown	\$28.91
05/15/06	Staples	Cary, NC	Debit Card	Unknown	\$177.74
05/16/06	Office Depot	FI	Debit Card	Unknown	\$171.66
05/16/06	Alltel	NA	Debit Card	Cell phone	\$32.09
05/17/06	Amoco Oil	Cary, NC	Debit Card	Fuel	\$30.00
05/17/06	North State Storage .	Morrisville, NC	Debit Card	Unknown	\$129.76
05/18/06	U-Haul.	Cary, NC	Debit Card	Unknown	\$149.73
05/18/06	BP Oil .	Greensboro, NC	Debit Card	Fuel	\$28.40
05/22/06	Wal-Mart	Cary, NC	Debit Card	Unknown	\$103.96
05/24/06	U-Haul .	Cary, NC	Debit Card	Unknown	\$47.17
05/24/06	Amoco Oil .	Cary, NC	Debit Card	Fuel	\$25.21
05/30/06	Cash Withdrawal .	Raeford, NC	Debit Card	Unknown	\$500.00
05/30/06	Cash Withdrawal	Raeford, NC	Debit Card	Unknown	\$500.00
05/30/06	Cash Withdrawal	Raeford, NC	Debit Card	Unknown	\$500.00
05/30/06	Amoco Oil .	Sanford, NC	Debit Card	Fuel	\$25.00
05/31/06	Exxon Mobil	Morrisville, NC	Debit Card	Fuel	\$30.09
06/09/06	Flying J	Haw River, NC	Debit Card	Fuel	\$15.35
<b>Total</b>					<b>\$18,374.88</b>



**Hoke County Youth and Family Services, Inc.**

**GRANTEE'S RESPONSE—FORMER BOARD CHAIR**

Dear Jean,

I have spent a considerable amount of time in studying the expenditures you asked me to respond.

Expenditures I feel are justified.

1. Intuit software
2. Office Max purchases
3. Staples
4. furniture for the office---Carolina Clearing House
5. Alltel---cell phone service.

I can well understand why you need receipts for all the restaurants visits and the Wal-Mart purchases. I can't possible give an opinion on these purchases unless I saw a receipt. However while I say this I can understand why an auditor would question all of the restaurants and Wal-Mart purchases.

There are several items that concern me.

1. Cash withdrawal---2-21-05
2. Cash withdrawal---5—30—06
3. Cash withdrawal----5—30—06
4. Cash withdrawal----5----30---06

It is speculation on my part about the oil changes and the fuel. I do know she used her own car in transporting the people who were being serviced by the program. While I say this I am concerned about some trips make at the expense of the grants. Those trips need an explanation. As for the tax there is no excuse it should have been paid.

My parting thought—volunteers are hard to come by. Whether it is a chairman or members of committees, they are at a disadvantage in working with the people in charge of the programs. The person in charge may be warned about keeping good records and to make sure every purchase can be justified. Other than the warnings and concerns the program is in the hands, in this case, Miss Karen Wright.

Sincerely,

  
Max Autry

2/13/08

**Hoke County Youth and Family Services, Inc.**

**GRANTEE'S RESPONSE—FORMER EXECUTIVE DIRECTOR**

18 February 2008

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor  
2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601

RE: State Grants from the Department of Health and Human Services  
State FY 2006, \$ 16,282  
State Grants for the Department of Administration  
State FY 2006, \$59, 498  
State FY 2005, \$59,321

Dear Mr. Merritt:

Enclosed please find my response to a management letter that was written on 25 January 2007, but of which I had first knowledge and received via e-mail on 11 February 2008. The original hard copy was address to me, but sent the former chair of Hoke County Youth & Family Services, Inc. (hereinafter referred to as HCY&FS).

I will not spend a lot of time on the history, but will give a brief outline for perspective. HCY&FS was founded by me in 2001, after I was requested by one of the county commissioners and then county manager. I started off doing youth services, and then in January 2003, we started doing domestic violence services. Hoke County did not and does not have an emergency shelter.

Please be advised, that I spent many hours and quite a bit of my own money, ensuring that the program was done with integrity and that the clients that we served received the best possible service.

To answer the Findings and Recommendations

Overview: **NC DHHS-DSS FVP Grant-** The funding was to assist in establishing a shelter if additional funding was secured. There was no way possible to establish a shelter with \$16,000 dollars. Please note that in the fall of 2005, I had already informed my board of my intended resignation in June 2006, and had started the process of securing another program to take over domestic violence for Hoke County. We were in talks with the Hoke County DSS program to take over the DV program, when they (Hoke DSS) had a fire and were relocated. At that time I was informed that they (Hoke DSS)

**Hoke County Youth and Family Services, Inc.**

**GRANTEE'S RESPONSE—FORMER EXECUTIVE DIRECTOR**

could not take on the responsibility of another program. At that point my regional director from Council of Women made other arrangements with another individual to take over the domestic violence program after June 2006.

**1. HCY & FS, INC. WAS NOT IN COMPLIANCE WITH NORTH CAROLINA GENERAL STATUTE 143C-6-23 (C) 2 REGARDING OVERDUE TAXES.**

**GS§ 105-243.1 COLLECTION** of tax debts.

(a) Definitions- The following definition apply in this section:

- (1) Overdue tax debt. - Any part of a tax debt that remains unpaid 90 days or more after the notice of final assessment was mailed to tax payer. The term does not include a tax debt, however, if the taxpayer entered into an installment agreement for the tax debt under G.S. 105-237 within 90 days after the notice of final assessment was mailed and has not failed to make any payments due under the installment agreement.
- (2) Tax Debt. – The total amount of tax and penalty, and interest due for which a notice of final assessment has been mailed to a taxpayer after the taxpayer no longer has the right to contest the debt.

Please note that at the time of execution of the grant agreements, HCY & FS had not received a final assessment, and were in the process of making installment arrangements, but were disputing amounts owe. Therefore, a final assessment had not been given, and we did have a right to contest the debt, and we were in compliance.

We in no way signed any agreement with the intent to deceive the funders; we relied on the statute and fell within the guideline. I the late winter, early spring of 2006, I had a conversation with DHHS-DSS-FVP personnel and indicated to them that I was not in a position to receive any more funds because we had not been able to satisfy our tax debt. We did not receive anymore funding from DHHS-DSS-FVP at such time that it was apparent we would not be able to make installments. This can be verified through the DHHS-DSS-FVP.

**2. HCY & FS DID NOT PROVIDE ADEQUATE RECORDS TO SUPPORT THE USE OF GRANT FUNDS.**

In late August 2007, I received a letter dated 22 June 2007, with a post mark of 23 August 2007, addressed to me outlining a request to conduct an examination. I had spoken to an agent from the state auditor's office and had given them my new address

## **Hoke County Youth and Family Services, Inc.**

### **GRANTEE'S RESPONSE—FORMER EXECUTIVE DIRECTOR**

a few days prior to receiving the letter. I indicated that I had information in storage, was starting a new position and could not produce documentation within the few days that she was allotting me. However, she was non-cooperative and mandated that I produce an amount of documents that could not be done in a reasonable amount of time with the accuracy that she wanted. However, on 12 September 2007, at my own expense, I provided at the State Auditor's office information that I had readily available. I did not say I purged the files. I indicated that I had two storages one that was with HCY &FS things only and then my personal storage. I told the agent that for accessibility purposes only, that I had kept only the files that I thought were relevant in my personal and that the agency storage had quite a bit of paper work from 2001 until 2006. It was only numerous attempts to come to a day of agreement, I was in total cooperation with the agent, but had a hard time changing my schedule for a new position at the last minute. And given the fact, that I was not employed by the agency any longer, I did not feel compel to inconvenience myself any more than was necessary.

I indicated to the agent, that if there were instances of specifics that raised a concern, be address, I would do my best to accommodate, even if it meant obtaining duplicate documentation. The agent indicated in November 2007, that the agent would speak with their supervisor and that would advise me of plans. I did not hear from agent again until 11 February 2008, via e-mail.

The clients that we served have been in question, personnel at HCY &FS was given the assignment of reviewing current files, any files that clients had not received services from us in the last six months were to be kept, other current files were to be give to the new domestic violence agency. That was done; however, according to the auditor's agent the new agency only received one file. I have a request into the agency personnel who handled this to verify same. However, I do have duplicate phone messages with names and numbers of client's that were served in Hoke County FY 2006.

### **3. HCY &FS USED GRANT FUNDS FOR PURPOSES UNRELATED TO THE PROGRAM**

In June 2004, my family relocated to the Triangle area. I informed my board that I need to resign, but understood the implication of not having a service in Hoke County for victims of domestic violence. I agreed to stay until such time that we could secure another agency to take over the program, and we would attempt to establish a shelter. In August 2004, I lost my son-in-law in the war and my plans changed. However, my board was in agreement to give me the flexibility I needed to work and continue the plan. Although, I had plenty of compensatory, vacation and sick time, and did utilize quite a bit of it, I still worked for the betterment of the agency while consuming my time.

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I was active with the Women of Color Caucus, through the North Carolina Coalition Against Domestic Violence. And was elected the Women of Color Caucus Representative. This was definitely in furtherance of the grant, because of the great disparity between women of color who work in the movement, and receive services. As an Executive Director of Color, I was privy to various travesties of justice as it relates to treatment of women of color. Quite a bit of the travel that is documented with debit card transactions, were related to this activity. As the women of color caucus representative, I traveled all over the state of north Carolina and to Michigan as well.

Also, because of the little amount of money we had, all of the office supplies were purchased by me in the Triangle area where I lived and taken to HCY&FS by me. Therefore, the Wal-Mart, Office Depot and Staples items you see were office supplies purchased by me. (Copies of Receipts are being sent via regular US Mail and will be placed in the mail on Wednesday, 20 February 2008, with a hard copy of this letter) The board chair will also receive a copy of same. I will address each item as you have listed on pages 6- 8 of your findings. In the same order.

Also, we purchased items for clients through the TANF monies, which were reimbursed by the DSS program, so although the money was spent out of our general account (we only had one account) those monies were reimbursed for allowable expenses, which included clothing, auto repair, work related items, housing expense, food, etc. I will only use vendor name and state and then explanation in the chronological order you have.

Date	Vendor	City/State	Explanation
8/31/04	Intuit Software	California	QuickBooks software for Office
9/2/04	Logan's Roadhouse	Fayetteville	Staff Retreat/Discretionary funds (not state monies)
9/3/04	Alltel		Because of limited resources, and because I was on call for DV victims' a portion of my bill was paid to keep the agency from occurring additional fees and contracts, my bill is in excessive of \$200 monthly. I only put in a request when there were excessive charges, most months I just ate the charges.
	Wal-mart		Receipts are being sent to show that items purchased were office supplies and or items for clients.
	Office Max		Receipts are being sent to show

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			that items purchased were office supplies and or items for clients
	Office Depot		Receipts are being sent to show that items purchased were office supplies and or items for clients
	Staples		Receipts are being sent to show that items purchased were office supplies and or items for clients
2/14/05	Foodlion		Food for client
2/25/05	Barnes & Noble	Cary, NC	Discount Card/ greeting card for client
2/21/05	Cash Withdrawal	Raeford, NC	Petty Cash for Client expense, receipt forthcoming
3/12/05	Spartacus Grill	Cary, NC	Meeting for Volunteer for assistance with DV work. Receipt forth coming
3/25/05	Flying J	Northeast, MD	Car charger for phone, because the old one burned out, and it was necessary for me to be accessible 24/7 for domestic violence victims. I was on the road to New York for personal; I also will send a copy of a personal receipt showing that I purchased personal things including gas with my personal card.
4/5/05	Shoe Show	Fayetteville	Client, documentation forthcoming
5/20/05	Flying J	Haw River, NC	Fuel for Women of Color activity
7/7/05	U-Haul	Fayetteville, NC	Moved a client from Hoke County to the Wake County area, because of danger from her abuser. Names of clients will be sent under different cover for the protection of the clients. My husband not only

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			helped her move, but drove the truck for her all volunteer time.
9/12/05	Radio Shack	Sanford, NC	Car adapter for new phone which had a stronger signal, as was previously said, someone had to be available 24/7 (per grant agreement) and even when we had no money to pay, I kept the phone with me to ensure that we complied with the grant and ensure service to our clients
9/22/05	Wal-Mart	Wilkesboro	WOC Caucus Activity
9/29/05	Bo's Super	Raeford, NC	Food for Client & Family documentation forth coming mail
10/12/05	BC Moore & Sons	Raeford, NC	Clothing for client and family documentation forthcoming
10/26/05	Levy Lien Garnishment		These were taxes owed by the agency. (State of North Carolina)
1/19/06	Sweet Potato Restaurant		Meals for Executive Director, at the WOC Executive Director's Meeting in Winston-Salem, Copy of documentation is forthcoming in mail
1/20/06	Hawthorne Inn		Accommodations for Executive Director, at the WOC Executive Director's Meeting in Winston-Salem, Copy of documentation is forthcoming in mail
3/28/06	General Revenue		Taxes for the Agency
4/4/06	B & N Membership Renewal		Barnes and Noble Discount renewal for agency
5/4/06	Levy Lien Garnishment		Taxes for the agency
5/12/06	Sheraton Hotel	Greensboro, NC	Women of Color Caucus Meeting documentation is forthcoming in mail.
4/8/006	Carolina Clearinghouse & Furniture	Raleigh, NC	This was a mistake, where I gave the vendor the wrong card and was not aware until a couple of days later, at which

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			time I notified my treasurer and satisfied the charge. I have a business card that is the exact duplicate of the agency card with the exception of the agency name. documentation is forthcoming
4/12/06	Tosca Restaurant		Meeting with the NCCADV Executive Director.
5/17/06	North State Storage	Morrisville, NC	Storage for the HCY&FS, one month, I kept this storage for almost 1 year and paid for it out of my pocket.
5/18/06	U-Haul	Cary, NC	Transport supplies and donated furniture of HCY&FS from Hoke County to Cary.
5/3/06	ATM Cash Withdrawals	Raeford, NC	Because of the garnishments, I made the decision to take the cash out so as to pay as many of our obligations as possible. Documentation will be forthcoming.

In conclusion, the amounts that I have addressed, I either have instant memory, or have the visual receipt. At this point I will forward you on this Wednesday, 20 February 2008, copies of what is indicated. I will within a reasonable amount of time, send you the additional documentation as it becomes available if I have to get duplicates.

This is my total response, I would like it to be known that nowhere in the management letter was there indication that in the late summer/early fall of 2005, I loaned the agency \$5000, of my own money so as we could meet our obligations (a copy of that cancelled check, front and back has been provided to the agent), That I would go months without adequate pay, medical coverage, and retirement. I have not used any monies of HCY&FS inappropriately and have used quite a bit of my own money and other resources. Neither was it indicated, that in September of 2006 more than 60 days after the close of HCY&FS, I received in the mail a check made out to the agency of more than \$45,000 a copy of which your agent has. Or that in 2005, I received a check in the amount of \$20,000 from the state of North Carolina, made out to me personally, of which I deposited into the agency's account immediately. My veracity and integrity is being questioned and I am ready to do all to ensure that my name is not tarnished. If I am



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guilty of anything it is taking on too (responsibility) much and trusting staff to follow through. In regards to being the only one with the debit card in my possession, many times have I given the card to staff members to perform transactions for me with regards to clients.

Although, I was told I had adequate time to respond, (I disagree and it is relative) I will continue to send documentations for the items that I could not specifically answer today because of the brevity of time in which your office wanted a response. I am comfortable with my documentation and will in a reasonable time be able to answer each one more specifically.

Thank you, for your attention to this matter and of course if you have questions and or concerns please feel free to contact me via e-mail.

**K. W. Fairley, JD**  
