



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

STATE OF NORTH CAROLINA
Office of the State Auditor

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October 29, 2007

Ms. Ida Dawson, Board Chair
Healthy Mothers Healthy Babies Coalition of Wake County
804 E Edenton Street
Raleigh, NC 27601

RE: State Grants from the Department of Health and Human Services
State Fiscal Year 2005, \$137,652
State Fiscal Year 2006, \$172,097
State Fiscal Year 2007, \$ 80,912

Dear Ms. Dawson:

We completed an examination, using certain procedures as described below¹, related to management of state grant funds by Healthy Mothers Healthy Babies Coalition of Wake County. 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 based solely on the performance of these procedures. 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).

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.

¹ 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.

The results of the examination conducted on July 5 and 6, 2007 disclosed internal control deficiencies, minor instances of noncompliance and/or other matters of concern that are described in the attached findings and recommendations.

This letter, including your attached written response to the findings, 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 management of the Healthy Mothers Healthy Babies Coalition of Wake County, 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,

A handwritten signature in black ink that reads "Leslie W. Merritt, Jr." in a cursive script.

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

LWMjr/jef

Attachment

CC: Attorney General Roy Cooper
Office of the Attorney General
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

Healthy Mothers Healthy Babies Coalition of Wake County **FINDINGS AND RECOMMENDATIONS**

Overview: Healthy Mothers Healthy Babies Coalition of Wake County (Healthy Mothers) is an organization promoting the health and well-being of families to reduce infant mortality and morbidity. Healthy Mothers has been in existence for over 17 years serving Wake County under a number of grants. The Department of Health and Human Services, Division of Public Health provides three grants.

The **Adolescence Pregnancy Prevention (APP) grant** serves 12 to 20 custodial parents at 17 years of age or younger, who are either pregnant or parenting their first child.

Healthy Families Initiative is a grant with the overall goal of reducing minority infant mortality and low birth rates, improving birth outcomes among minority populations.

The **Teen Pregnancy Prevention (TPPI) grant** serves youth in targeted areas of Wake county to include activities regarding teen pregnancy prevention.

The APP and TPPI grants were monitored in December 2006 and found to be in compliance with grant requirements.

1. HEALTHY MOTHERS HEALTHY BABIES COALITION OF WAKE COUNTY DID NOT HAVE ADEQUATE WRITTEN POLICIES AND PROCEDURES GOVERNING GRANT FUNDS.

Healthy Mothers had minimal written documentation that established internal control policies and procedures over financial transactions. The internal controls manual lacked detail in describing a number of processes for most financial functions, such as account receivables and account payables, reconciliation activity, how and when expense transactions are entered, dual signature requirements, program expense allocations and/or deposits of funds. Such lack of policies and procedures can lead to inconsistent handling of funds and result in poor stewardship of State grant funds.

Recommendation:

Healthy Mothers needs to strengthen the internal controls over all financial activities to include more internal controls to protect State grant funds. The Board of Directors should review and approve the policies and procedures manual, and ensure that the new procedures are followed. A copy of the new internal control policies and procedure manual should be sent to the Division of Public Health as evidence that internal controls have been strengthened.

Healthy Mothers Healthy Babies Coalition of Wake County
FINDINGS AND RECOMMENDATIONS (continued)

2. HEALTHY MOTHERS IS NOT IN COMPLIANCE WITH NORTH CAROLINA GENERAL STATUTE 143C-6-23(c)² REGARDING OVERDUE TAXES.

N.C.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.

During the examination of grants funds, we noted documentation that Healthy Mothers has overdue taxes. The grant agreement that Healthy Mothers signed with the Department of Health and Human Services contained the required Certification of No Overdue Taxes signed and notarized by representatives of Healthy Mothers. Despite repeated requests, Healthy Mothers failed to provide documentation showing that it was in compliance with the requirements stated in G.S. 143C-6-23(c) at the time this document was executed.

Recommendation:

The Department of Health and Human Services should immediately suspend all payments to Healthy Mothers under the various grants pending the provision of the requested documentation showing that Healthy Mothers was in compliance with the terms of G.S. 143C-6-23(c). If Healthy Mothers fails to provide the required documentation, then the Attorney General's Office should determine whether further action against Healthy Mothers is warranted under G.S. 143C-10-1.

² 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.

GRANTEE'S RESPONSE



Healthy Mothers, Healthy Babies Coalition of Wake County

October 2, 2007

Healthy Mothers Healthy Babies Coalition of Wake County, Inc.
804 East Edenton Street
Raleigh, North Carolina 27610

C/o Ida J. Dawson
Wake County Human Services
10 Sunnybrook Road
Raleigh, North Carolina 27610

Mr. Leslie W. Merritt, Jr.
State Auditor
State of North Carolina
Office of the State Auditor
2 South Salisbury Street
Raleigh, North Carolina

Dear Mr. Merritt:

This letter is written in response to the investigation made by your office on July 5 & 6, 2007. Please be informed that unfortunately Healthy Mothers Healthy Babies Coalition of Wake County, Inc., has had to shut down due to the inability to secure unrestricted funds to support the operations of the Agency. This became effective August 31, 2007. The remaining two programs that operated under this non-profit corporation have been transferred and the remaining funds were released back to the State of North Carolina, Department of Health and Human Services.

The hard assets were donated to a similar non-profit Agency as directed by the original Articles of Incorporation and no financial assets remain.

Thank you for your consideration in this matter.

Sincerely,


Ida J. Dawson
Board Chair

/ijd