



STATE OF NORTH CAROLINA
Office of the State Auditor

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State Auditor

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November 9, 2007

Mr. Willie Lucas, Owner
JSL Development Center, Inc.
P.O. Box 1176
Wilson, NC 27893

RE: State Grants from the Department of Health and Human Services
State Fiscal Year 2005, \$83,449,
State Fiscal Year 2006, \$83,899.

Dear Mr. Lucas:

We have completed an examination of grant funds, encompassing certain procedures¹ as described below. This examination related to management of state grant funds by JSL Development Center, Inc. and was conducted on July 24, 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. In addition to the fiscal years listed above, we also reviewed documentation for the current 2007 fiscal year. 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.

The results of the examination conducted on July 24, 2007 disclosed internal control deficiencies, instances of noncompliance and/or other matters of concern that are described in the attached findings and recommendations. We had asked that you provide to us a written response to the draft letter by October 12, 2007 for inclusion in the final report. However, you failed to do so.

Thus, this final letter will be published on our Electronic Publication System (EPS) at www.ncauditor.net. You and others who are interested in the

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.

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 JSL Development Center, 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 Dempsey Benton
Department of Health and Human Services
Dr. Leah Devlin, Director
Division of Public Health, DHHS
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

JSL Development Center, Inc.

FINDINGS AND RECOMMENDATIONS

Overview: JSL Development Center, Inc. (JSL) is a child care facility with license capacities to serve up to 188 children. Enrollment at the time of our visit was approximately 165. The North Carolina Department of Health and Human Services, Division of Public Health—Women’s & Children’s Health Section entered into grant agreements for the **Child and Adult Care Food Program** (Food Program) with this entity. The grants are set up as reimbursement grants, established to reimburse meals served for free, reduced fee and paid (ineligible) participants. The last monitoring visit by the Division of Public Health – Women’s & Children’s Health Section of JSL was in January 2006. During the visit, the monitor found JSL was in compliance with the Division’s requirements.

1. JSL 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 found that JSL had overdue State taxes. The grant agreement that JSL signed with the Department of Health and Human Services contained the required Certification of No Overdue Taxes signed and notarized by representatives of JSL stating that it did not have any overdue taxes. Despite our request, JSL has failed to provide documentation showing that it was in compliance with the requirements stated in G.S. 143C-6-23(c) at the time the no overdue tax certification was executed.

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.

JSL Development Center, Inc.

Recommendation:

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

NOTE: The management of JSL chose not to respond to the Office of the State Auditor in any method. Therefore, our recommendation above stands as is.