



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

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.ncauditor.net>

September 12, 2007

Major Vern Jewett, Division Commander
The Salvation Army
501 Archdale Drive
Charlotte, NC 28217

RE: State Grants from the Department of Health and Human Services
State Fiscal Year 2005, \$362,746
State Fiscal Year 2006, \$395,802
State Grant from the Department of Transportation
State Fiscal Year 2006, \$ 4,738
State Grants from the Department of Agriculture and Consumer Services
State Fiscal Year 2006, \$ 45,968

Overview: The Salvation Army, headquartered in London, England, is an international religious and charitable organization organized on military lines. It receives the following grants:

NC Department of Health and Human Services-Office of Economic Opportunity:

These funds are provided under the Emergency Shelter Grants Program. The purpose of the program is to provide shelter and essential services to homeless persons.

NC Department of Health and Human Services-Division of Public Health: These grants are provided under the USDA Child and Adult Care Food Program. Their purpose is to provide nutritious meals and snacks to eligible children and adults who are enrolled in participating child care centers, day care homes, and adult care centers.

NC Department of Transportation: This grant provides funding to assist disadvantaged individuals with transportation needs.

NC Department of Agriculture and Consumer Services-USDA Donated Commodities: This grant awards to the grantee authority to supervise and control the storage, handling and use of all USDA donated commodities in quantities that can be stored and fully utilized for the benefit of participants served in the program.

Dear Major Jewett:

We have completed an investigation, employing certain limited procedures as described below, related to The Salvation Army's management of State grant funds. 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.

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 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. Since The Salvation Army has several operations throughout North Carolina, we chose a sample of records from seven local Salvation Army locations to review. All local offices follow national procedures and internal controls.

The results of the investigation conducted on August 29, 2007 did not disclose internal control deficiencies, instances of noncompliance and/or other matters of concern. Since no deficiencies, instances of noncompliance and/or other matters of concern were detected we do not require a response from your entity.

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 management of the Salvation Army, 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
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LWMjr/rfm

CC: Commissioner Steve Troxler
Department of Agriculture and Consumer Services
Secretary Lyndo Tippet
Department of Transportation
Secretary Dempsey Benton
Department of Health and Human Services
Ms. Laketha Miller, Controller
Department of Health and Human Services