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State Auditor

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January 8, 2009

Ms. Sylvia Sprinkle-Hamlin,
Board President
Ms. Marian Ackerman,
Executive Director
Winston-Salem/Forsyth County Council
on the Status of Women
660 West 5th Street
Winston Salem, NC 27101

RE: State Grants from:
Department of Administration

FYE 6/30/06	\$47,599
FYE 6/30/07	\$33,667
FYE 6/30/08	\$ 6,698

Dear Ms. Sprinkle-Hamlin and Ms. Ackerman:

We have completed a special review described below at Winston-Salem/Forsyth County Council on the Status of Women related to its management of state grant funds.

Our objective was to identify whether there were any instances of noncompliance with laws, regulations, and provisions of contracts or grants agreements; deficiencies in internal control; and/or deficiencies in the management of financial resources based on the performance of the procedures described below.

Procedures included, but were not limited to, interviewing personnel; examining accounting and other grant records for the purpose of identifying state grant transactions; and reviewing available policies and procedures.

The results of the examination conducted during October and November 2008 disclosed internal control deficiencies, instances of noncompliance and/or other matters of concern that are described in the attached findings and recommendations.

Since the Council did not provide a written response by the extended deadline of January 2, 2009, this letter will be published on our Electronic Publication System (EPS) at www.ncauditor.net without a response. You and others who are interested in the publication should register on the web site to receive an email notification and a link to the publication as soon as it is available.

Sincerely,



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

LWMjr/jhp

CC: Secretary Britt Cobb
Department of Administration
Ms. Mel Chilton, Executive Director
North Carolina Council for Women/Domestic Violence Commission

Winston-Salem/Forsyth County Council on the Status of Women
FINDINGS AND RECOMMENDATIONS

Grant Overview:

The Displaced Homemaker and Divorce Filing Fees grants from the Department of Administration were to be used to provide employment services by funding personnel expenditures, accounting services and some financial assistance for displaced homemakers to enable them to maintain themselves in the workforce. Additionally, the grants were to assist the development of community partnerships to enhance actual employment opportunities for the displaced homemakers.

1. Winston-Salem/Forsyth County Council on the Status of Women (Council) has not refunded grant funds received in error.

A check in the amount of \$6,698 was erroneously sent by the Department of Administration to the Council for State fiscal year 2009. The Council was notified that the money had been sent in error and that it needed to refund the payment to the North Carolina Council for Women, Department of Administration, the funding agency. The Executive Director notified her Board of Directors of this error on April 26, 2008. As of October 1, 2008, the Council had not made any arrangements to return the funds. Instead, the Executive Director sent the North Carolina Council for Women a check register as support for salaries that totaled \$3,306 for the \$6,698 payment.

Upon reviewing the Council's records, we determined that the check register sent to the North Carolina Council for Women referenced checks that were never submitted to the bank for payment. To support the use of grant funds, the Executive Director created a check register showing check numbers that skipped ahead in the number sequence but were dated in 2007. The sequence of the actual check register begins at check # 2379 dated 08-10-2007 to check # 2423 dated 03-25-2008. The fictitious check register recorded check # 2451 dated 07-27-2007 to # 2474 dated 04-25-2008. The register indicated that the Executive Director, a clerical worker, and taxes to the Internal Revenue Service and the NC Department of Revenue were paid. As of October 1, 2008, these checks were still in the Executive Director's possession and had yet to be submitted for payment.

Recommendation

The Board of Directors for the Council should immediately make full restitution of \$6,698 to the North Carolina Council for Women for the payment received in error. The North Carolina Council for Women/Domestic Violence Commission should pursue the necessary legal steps to recoup the funds.

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2. Client records do not support the use of grant funds for fiscal years 2006, 2007, or 2008.

State grant contracts¹ require grantees to maintain records to support the use of grant funds during the contract period and for a period of five years from the close of the grant. These records must be available for review at any time to the funding agency and the Office of the State Auditor. When asked for grant records for fiscal years 2006, 2007, and 2008, the Executive Director initially refused to provide them to the Auditor's Office, saying that they contained confidential information. The records finally provided to the Auditors failed to provide the necessary information to confirm appropriate use of State grant funds. We also learned during the audit that the Executive Director has refused on several occasions to provide the grant records to a representative of the North Carolina Council for Women, the funding agency.

Specifically, the Displaced Homemakers grant contract requires the grantee to submit a statistical report twice per year, providing data on clients served. For the period July through December 2007 and the period January through June 2008 (of fiscal year 2008), the Executive Director reported that she had provided services to 138 and 128 unduplicated clients, respectively. However, the Executive Director could only provide intake forms for 90 clients in total for fiscal years 2006, 2007, and 2008. When questioned about the discrepancy, the Executive Director said that she included the phone log (not allowed by the contracts) and the numbers from sign-in sheets from counseling and training sessions she conducted. According to the Executive Director, the phone logs were destroyed and the sign-in sheets could not be located.

Further, as a State grantee, the Council was required to submit timesheets for justification for time charged to the grants. Based on a review of timesheets provided for the Executive Director and her daughter (see next finding), it appears that they were all filled out at one time in the same ink and appear to be done in the same handwriting. The Executive Director's timesheets did have a "supervisor's signature." However, the signature is unrecognizable and does not appear to match any of the Board member's names. According to the Board president, the Executive Director's timesheet is not approved by anyone on the Board.

Failure to maintain adequate records to support the use of grant funds violates the terms of the grant contracts and bring into question whether any

¹ North Carolina Administrative Code, 09 NCAC 03M .0202, Grantee Responsibilities

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of the grant funds were, in fact, used to provide the services required by the grants.

Recommendation

The North Carolina Council for Women should seek to recover all grant funds provided for fiscal years 2006, 2007, and 2008 unless the Winston-Salem/Forsyth County Council on the Status of Women is able to immediately provide adequate documentation to support the use of these funds. The funding provided for these fiscal years totals \$94,661. Further, the North Carolina Council for Women should carefully consider the severity of the issues noted herein in any future funding decisions relating to this grantee.

3. The Executive Director hired her daughter, creating a conflict of interest situation.

The Council filed a conflict of interest policy with the North Carolina Council for Women, as required by the grants reporting legislation. However, review of that policy revealed that it does not comply with the requirements of G.S. 143C-6-23(b) which requires a conflict of interest policy addressing situations that may arise involving the grantee's management, employees, and members of its Board of Directors or other governing body. The policy should address situations in which any of these individuals may directly or indirectly benefit. The policy filed with the funding agency was vague and only addressed Board members' actions.

During the review of grant documents, we determined that the Executive Director hired and paid her daughter for clerical work performed. Board minutes do not show that the Board was ever informed of the hiring or that it approved the hiring. Timesheets provided as documentation of work showed that the daughter worked 20 hours a week between January 1, 2008 and June 30, 2008. Only one check for \$6,000, dated 06-29-2007, was recorded as payment to this individual. All time sheets appear to have been prepared by the same person and matched the Executive Director's handwriting (see previous finding). Assuming that work was performed, since the Executive Director was her daughter's direct supervisor, this created a conflict of interest situation. Additionally, the hiring of the Executive Director's daughter appears to violate the statute which says that individuals may not directly or indirectly benefit from the use of grant funds.

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Recommendation

The Board of Directors should develop a conflict of interest policy that conforms to the legislation. The North Carolina Council for Women should seek to recoup the \$6,000 (included in the previous recommendation) that was paid to the Executive Director's daughter since the documentation presented to support the expenditure is not adequate and no other evidence of work was provided.

4. The Council has not filed the required Federal Form 990 with the Internal Revenue Service since 2001.

The Council is an exempt non-profit organization under 501(c)(3) of the Internal Revenue Code. The Code requires that tax-exempt organizations must comply with federal tax law to maintain tax-exempt status and avoid penalties. Each 501(c)(3) organization must file a Form 990, Form 990-EZ or Form 990-N based on its financial activity. This form must be filed by the 15th day of the fifth month after the end of the organization's annual accounting period to continue to receive tax-exempt status. The last Form 990 shown as filed by the Council was for 2001. We requested a copy of the most recent form from the Executive Director, but it was not provided. Failing to file the required forms with the Internal Revenue Service jeopardizes the tax-exempt status for the organization and brings into question the legality of the grant contracts entered into with the State as a nonprofit entity for fiscal years 2006, 2007, and 2008.

Recommendation

The Board of Directors should require the Executive Director to immediately file the Form 990 for any year for which it has not been submitted to the Internal Revenue Service. This finding is being referred to the Internal Revenue Service.

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GRANTEE'S RESPONSE

Auditor's Note: The grantee was provided the opportunity to respond in writing to the findings contained in this report for inclusion in the final report to be published at www.ncauditor.net. Despite requesting and having been granted an extension of time to prepare the response, the grantee failed to provide any response.