



# STATE OF NORTH CAROLINA

**SPECIAL REVIEW**

**GUILFORD COUNTY  
COMMUNITY ACTION PROGRAM, INC.  
SANKOFA PROGRAM**

**GREENSBORO, NORTH CAROLINA**

**NORTH CAROLINA DEPARTMENT  
OF  
HEALTH AND HUMAN SERVICES**

**RALEIGH, NORTH CAROLINA**

**APRIL 2000**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

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Ralph Campbell, Jr.  
State Auditor

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**LETTER OF TRANSMITTAL**

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April 27, 2000

The Honorable James B. Hunt, Jr., Governor  
Dr. H. David Bruton, Secretary  
N.C. Department of Health and Human Services  
Ms. Idella M. Jones, Chairperson of the Board  
Guilford County Community Action Program, Inc.  
Members of the North Carolina General Assembly

Ladies and Gentlemen:

Pursuant to General Statute §147-64.6(c)(16), we have completed our special review into allegations concerning Guilford County Community Action Program, Inc.'s Sankofa Program. The results of our review, along with recommendations for corrective actions, are contained in this report.

General Statute §147-64.6(c)(12) requires the State Auditor to provide the Governor, the Attorney General, and other appropriate officials with written notice of apparent instances of violations of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee. In accordance with that mandate, and our standard operating practice, we are providing copies of this special review to the Governor, the Attorney General and other appropriate officials.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr., CFE  
State Auditor





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## OVERVIEW

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Guilford County Community Action Program, Inc. (GCCAP), a non-profit organization, founded in 1985, is based in Greensboro, North Carolina. GCCAP provides weatherization, housing assistance, and other services to low-income families and individuals. Sankofa, Inc (Sankofa), a non-profit entity incorporated in 1997, is a grassroots community-based organization located in Greensboro, North Carolina. Sankofa was founded to provide life skills programs for persons in the community. Sankofa's original organizational structure consisted of an Outreach/Training Coordinator and three Scout Assistants. In March 1998, the North Carolina Department of Health and Human Services (DHHS) awarded a \$10,000 state grant to Sankofa. That same year, Sankofa forged a partnership with GCCAP which acted as the fiduciary agent for the grant.

GCCAP assumed the role of fiduciary agent because Sankofa did not possess the required tax-exempt status at the time of awarding of the grant. As Sankofa's fiduciary agent, GCCAP performed bookkeeping, administrative duties and other forms of support for Sankofa. Sankofa used the facilities at Project Uplift, Inc., and GCCAP to meet and conduct programs. One of the programs sponsored by Sankofa was "Sankofa Scouts," a youth leadership/life skills training program for children, ages 6 to 12. The objective of Sankofa Scouts was to present a viable alternative to street gangs, drugs, and other negative influences which confront the youth. Sankofa also sponsored an Adult Leadership Development Training program designed to enhance the skills, qualities, and potential of participants within the community.



## **OVERVIEW (CONCLUDED)**

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Sankofa received a \$31,000 federal Family Preservation Program grant from Youth Focus, Inc. (Youth Focus) in June 1997. Youth Focus is a non-profit service organization located in Greensboro, North Carolina. Youth Focus, a lead agency for the Family Preservation Program granted the \$31,000 to Sankofa as a sub-recipient. Sankofa lacking the required tax-exempt status at the time of the grant award, requested Project Uplift, Inc. (Uplift), another Greensboro non-profit organization, serve as the fiduciary agent during 1997. As the fiduciary agent, Uplift performed bookkeeping and administrative support for Sankofa. This relationship between Uplift and Sankofa ended in November 1997.

In July 1998, Youth Focus awarded Sankofa a \$25,000 federal Family Preservation Program grant as a sub-recipient. Youth Focus received these federal funds through the North Carolina Department of Health and Human Services, Division of Social Services (DSS), as a lead agency for the Family Preservation Program. For the administration of the grant, GCCAP acted as Sankofa's fiduciary agent.

According to GCCAP's Executive Director, GCCAP continues to provide Scout services for youth within the community. At the time of our review, GCCAP had not requested reimbursement for the costs of providing these services during fiscal year 1999-2000.

## INTRODUCTION

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We received the following allegation through the State Auditor's Hotline concerning Guilford County Community Action Program, Inc. (GCCAP) and the Sankofa Scouts Program:

Timesheets, expenditure reports, and other reports have been falsified to receive payments from Family Preservation Program grants.

We used the following procedures to conduct our Special Review:

- ◆ Examination of Sankofa records.
- ◆ Examination of GCCAP records.
- ◆ Examination of Youth Focus, Inc. records.
- ◆ Examination of Project Uplift, Inc. records.
- ◆ Examination of DHHS records.
- ◆ Interviews with contract employees of Sankofa.
- ◆ Interviews with employees of GCCAP, Youth Focus, Project Uplift, and DHHS.
- ◆ Interviews with individuals external to any of the above organizations.

The report presents the results of our Special Review. The review was conducted pursuant to G.S. §147-64.6(c)(16) rather than a financial audit. GCCAP, Youth Focus, and Project Uplift contract with private accounting firms to perform their annual financial audits.

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## **FINDINGS AND RECOMMENDATIONS**

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### **1. SANKOFA LACKED SUPPORTING DOCUMENTATION FOR THE PROGRAMS WHICH WERE FUNDED WITH PUBLIC MONEY.**

In June 1997, Sankofa received a \$31,000 federally funded grant as a sub-recipient from Youth Focus, Inc. In March 1998, Sankofa received a \$10,000 state grant from the N.C. Department of Health and Human Services (DHHS). In July 1998, Sankofa received a \$25,000 Family Preservation Program grant from Youth Focus. All three grants were given to Sankofa to support a youth leadership development training program (Sankofa Scouts). According to the program summary, the Sankofa Scouts was designed for youth between the ages of 6-12 who reside in low-income families. The goals were to build character, morals, and discipline in youth, as well as to try to develop a sense of social and political awareness. The Sankofa Scouts program was to serve a maximum of 20 participants who meet weekly on Saturday for 8 hours.

#### 1997 \$31,000 Grant

Project Uplift acted as Sankofa's fiduciary agent for the 1997, \$31,000 Family Preservation Program grant. We examined the financial records associated with this grant. Project Uplift supplied us with some receipts, timesheets, etc. to support the expenditures. Project Uplift's Executive Director told us he was aware of 14-15 children meeting for martial arts training on Saturday mornings during the summer and fall of 1997 at his organization's facility. However, Project Uplift was unable to provide us with the names of these children. Project Uplift's personnel told us Sankofa kept the records of the children served.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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Both Project Uplift's and Sankofa's personnel said they could not provide us with the names of children served with this grant.

### 1998 \$10,000 Grant and \$25,000 Grant

Guilford County Community Action Program, Inc., (GCCAP) acted as Sankofa's fiduciary agent for the 1998, \$10,000 and \$25,000 grants. As fiduciary agent, GCCAP handled all the accounting and administrative duties. As with the 1997 grant, we asked GCCAP to provide us with the names of children served under these two grants. GCCAP's Accounting Technician provided us with the names of ten children who she said were participants in the Sankofa Scouts program. However, both DHHS and Youth Focus were told 80 youth participated in the Sankofa program. GCCAP's Executive Director told us the Sankofa Outreach/Training Coordinator kept most of the Sankofa Scouts Program records including the names of the children that participated in the program.

The Outreach/Training Coordinator, who has since moved out of state, could not provide us with any names of individual participants. She told us records were missing and she may have some in storage. She also told us the children were required to sign their names on sheets provided at GCCAP offices on the day of program activities. However, when asked to supply us with these sign-in sheets, the Outreach/Training Coordinator said she could not provide them. She said the sign-in sheets should be at GCCAP's offices. GCCAP's personnel had no knowledge of the whereabouts of these sign-in sheets.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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The Executive Director of Youth Focus provided us with Sankofa's Program Monitoring Performance Reports for the fiscal year 1998-99, which are required by the Division of Social Services (DSS). In his cover letter to DSS, Youth Focus' Executive Director stated they (Sankofa) have far exceeded the goals set for the project. As stated in the Youth Focus' Executive Director's letter, the original goals were to serve 20 youth in Leadership Development (Sankofa Scouts) and 20 adults in Leadership Development. According to the report, Sankofa served 80 youth through the Sankofa Scouts program. We asked Youth Focus' Executive Director about these reports. He said he did not verify these Performance Report numbers, instead he got the information from Sankofa's Outreach/Training Coordinator. Sankofa submitted this report to both Youth Focus and DSS. We compared this report with the information supplied to us by GCCAP. GCCAP was unable to provide documentation to substantiate these Performance Report numbers.

Also, the report stated Sankofa served 50 men, 27 women, and 20 parents in the Adult Leadership Development Program. Again, GCCAP was unable to provide any supporting documentation to substantiate these numbers.

### **RECOMMENDATION**

Due to the lack of supporting documentation for participants reported, we recommend the funding agencies seek reimbursement of funds that cannot be supported by participant documentation.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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### **2. SANKOFA'S OUTREACH/TRAINING COORDINATOR CONTINUED RECEIVING A SALARY AFTER RELOCATING TO BALTIMORE, MARYLAND.**

GCCAP continued paying a salary to the Outreach/Training Coordinator following her move to Baltimore, Maryland. We questioned GCCAP's personnel about the date of the Outreach/Training Coordinator's move to Baltimore and the duties she performed for Sankofa while there. None of GCCAP's personnel could provide us with the exact date of the move. Initially, GCCAP's Executive Director stated the Outreach/Training Coordinator relocated to Baltimore sometime toward the end of the \$25,000 grant contract, which ended on December 31, 1998. However, during further discussion, GCCAP's Executive Director stated the Outreach/Training Coordinator actually moved approximately two weeks prior to attending a Family Preservation seminar given by the North Carolina Department of Health and Human Services (DHHS). Neither GCCAP's Executive Director nor any other GCCAP personnel were able to provide us the date of this seminar. According to a DHHS Program Consultant, DHHS does not have any record of the Outreach/Training Coordinator registering or attending a Family Preservation course during the fall of 1998.

The Outreach/Training Coordinator could not recall the exact date of her move, but believes she left near the end of August 1998. According to GCCAP's Executive Director, the Outreach/Training Coordinator continued to run the program even though she was located in Baltimore. According to the records provided to us, the Outreach/Training Coordinator was paid based on work session invoices submitted to

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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GCCAP. A typical work session involves interaction with either the Sankofa Scouts children or adult participants of the Sankofa Leadership Development program. The Outreach/Training Coordinator stated she coordinated the Sankofa program from Baltimore and had direct responsibility for its operation.

On further review of records provided by GCCAP, we noted the following:

- ◆ The work session invoices submitted for duties performed by the Outreach/Training Coordinator from July 15, 1998 through July 26, 1998 and July 30, 1998 through August 10, 1998 did not contain her signature in the designated spaces. However, the Scout Assistant, who reported to the Outreach/Training Coordinator, signed the invoice indicating her approval. According to GCCAP's Executive Director, the Scout Assistant took over Sankofa's program when the Outreach/Training Coordinator moved from the state.
- ◆ The work session invoices submitted for duties performed by the Outreach/Training Coordinator from August 12, 1998 through August 25, 1998 and August 26, 1998 through September 8, 1998 were faxed to GCCAP from a fax machine located in Washington, DC.
- ◆ The work session invoice submitted for duties performed by the Outreach/Training Coordinator from September 9, 1998 through September 21, 1998 contains a signature supposedly belonging to the Outreach/Training Coordinator. However, the Outreach/Training Coordinator's name was misspelled. According to GCCAP's Accounting Technician, she observed the Scout Assistant signing the Outreach/Training Coordinator's name on a work session invoice. The Accounting Technician further stated she confirmed with a telephone



## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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call to the Outreach/Training Coordinator in Baltimore, Maryland that the Scout Assistant was authorized to sign the Outreach/Training Coordinator's name in her absence.

- ◆ On October 7, 1998, GCCAP purchased an Amtrak ticket in the amount of \$161.00 for the Outreach/Training Coordinator. According to GCCAP's Accounting Technician, GCCAP provided the Amtrak ticket to the Outreach/Training Coordinator so she would have transportation from Baltimore, Maryland to Greensboro, North Carolina to attend a Family Preservation seminar given by DHHS.

Although neither GCCAP personnel nor the Outreach/Training Coordinator could provide us with the date of the Outreach/Training Coordinator's relocation, our review of the records provided by GCCAP indicate the Outreach/Training Coordinator could have relocated as early as the middle of July 1998. However, GCCAP continued issuing salary checks to the Outreach/Training Coordinator through December 1998. Based on the records provided to us, GCCAP issued fourteen checks totaling \$7,637.14, to the Outreach/Training Coordinator (See Finding 3 regarding questions over whether the Outreach/Training Coordinator received these funds) for work sessions supposedly provided from July 15, 1998 through December 31, 1998, while living in Maryland. Based on the Outreach/Training Coordinator leaving the Greensboro area around mid-July 1998, and the fact that typical work sessions require face-to-face interaction with participants, we question the appropriateness of paying the Outreach/Training Coordinator during this time period.

**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**RECOMMENDATION**

DHHS and Youth Focus should review these payments to the Outreach/Training Coordinator to seek recovery of inappropriate payments.

**3. A SCOUT ASSISTANT ENDORSED AND CASHED NINE CHECKS WRITTEN TO THE OUTREACH/TRAINING COORDINATOR.**

We reviewed all cancelled checks written to the Outreach/Training Coordinator. As previously stated, our review indicates the Outreach/Training Coordinator may have relocated as early as the middle of July 1998. However, GCCAP continued issuing salary checks to her through December 31, 1998. We noted the following discrepancies regarding checks written to the Outreach/Training Coordinator:

<u>Check Number</u>	<u>Check Amount</u>	<u>Discrepancy</u>
15577	\$ 683.68	Outreach/Training Coordinator's signature/ endorsement misspelled.
15614	683.68	Outreach/Training Coordinator's
15746	683.68	signature/endorsement misspelled. Check also
15880	683.68	endorsed by the Scout Assistant.
15927	348.75	Outreach/Training Coordinator's signature/ endorsement misspelled. Check also endorsed by the Scout Assistant.
15698	683.68	Outreach/Training Coordinator's signature/ endorsement appears to be different from other endorsements made by her prior to July 1998.
15984	348.00	Outreach/Training Coordinator's signature/ endorsement appears to be different from other endorsements made by her prior to July 1998
16028	322.07	Outreach/Training Coordinator's signature/ endorsement appears to be different from other endorsements made by her prior to July 1998.
16009	<u>348.75</u>	The Scout Assistant also endorsed the check.
<b>Total</b>	<b>\$ <u>4,785.97</u></b>	

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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We asked the Scout Assistant about the checks written to the Outreach/Training coordinator after her relocation. The Scout Assistant told us she endorsed and cashed the checks and sent the cash to the Outreach/Training Coordinator. The Scout Assistant could not recall what method she used to send the cash.

We also asked the Outreach/Training Coordinator about the checks written to her after her relocation. Initially, she could not recall the Scout Assistant sending cash to her while in Baltimore, Maryland. After further discussion, the Outreach/Training Coordinator stated she probably instructed the Scout Assistant to cash the checks and use the money for people who were in need in Greensboro, North Carolina.

Therefore, the conflicting stories and misspelled endorsements left us unable to determine who actually received the cash.

### **RECOMMENDATION**

These checks were included in the total amount in the previous finding.

#### **4. GCCAP'S EXECUTIVE DIRECTOR AND OTHER EMPLOYEES RECEIVED PAYMENTS FROM SANKOFA'S GRANT FUNDS.**

According to all parties, GCCAP was to serve as Sankofa's fiduciary agent for the administration of the two 1998 grants. GCCAP would provide administrative services and support for Sankofa's programs. According to the contract and proposal, Sankofa estimated \$2,300 in costs for the fiduciary agent's services. The organization and not individual employees should have been reimbursed directly for the services.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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During our review of checks issued by GCCAP on behalf of Sankofa, we noted the following payments to GCCAP's employees:

<u>GCCAP Employees</u>	<u>Amount of Payment</u>
GCCAP Executive Director	\$ 1,650.00
Former GCCAP Deputy Director	600.00
GCCAP Accounting Technician	675.00
GCCAP Secretary/Receptionist	<u>175.00</u>
<b>Total</b>	<b>\$ 3,100.00</b>

We noted these payments exceeded the estimated \$2,300 for fiduciary agent costs. We questioned GCCAP's Accounting Technician about this situation. She told us the GCCAP employees performed duties for Sankofa outside of the normal working hours and were paid as contract laborers. GCCAP's agreement to provide fiduciary responsibility did not include the use of their (GCCAP) employees as contract laborers for Sankofa. We did not find any contracts between these GCCAP employees and Sankofa. Also, in the case of the Executive Director, the former Deputy Director, and the Accounting Technician, GCCAP did not issue Internal Revenue Service Form 1099, a tax-related form that lists miscellaneous income paid to non-employees who earned at least \$600.00 for services rendered during the calendar year. As stated earlier, these individuals were paid as though they were contractual non-employees.

### **RECOMMENDATION**

GCCAP should refrain from using grant funds to issue contractual type payments to regular employees. These payments should be paid to the

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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organization and not individual employees. Since these services were part of GCCAP's role as fiduciary agent, the Executive Director and the other individuals should reimburse the organization for the amounts they received.

### **5. GCCAP LACKED DOCUMENTATION FOR TWENTY-FIVE CHECKS ISSUED ON BEHALF OF SANKOFA.**

During our review of the checks issued for Sankofa's activities and the supporting documentation provided, we noted the following items:

- ◆ On thirteen occasions, GCCAP paid SANKOFA's Outreach/Training Coordinator an hourly rate greater than the contractual hourly rate. On those thirteen occasions, GCCAP issued \$7,716.32 (amount includes federal and state withholdings that GCCAP documented as withheld) for 256 hours of services documented as provided by the Outreach/Training Coordinator. However, based on the contractual agreement, GCCAP should have only paid \$3,840 for the Outreach/Training Coordinator's services. On five of those occasions, GCCAP even issued checks in amounts greater than the amounts invoiced by the Outreach/Training Coordinator. Although the Outreach/Training Coordinator's invoices showed a total of \$1,750 due, GCCAP issued checks totaling \$3,750 (including the federal and state withholdings documented as withheld) to the Outreach/Training Coordinator. According to GCCAP personnel, the payroll system was programmed to issue a check to the Outreach/Training Coordinator every two weeks for forty hours of work, regardless of the amount invoiced by the Outreach/Training Coordinator.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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- ◆ On ten occasions, GCCAP was unable to provide us with timesheets to support the wages paid to Sankofa's Outreach/Training Coordinator and laborers. Two of these checks, totaling \$670.82 (including the federal and state withholdings that GCCAP documented as withheld), were issued to the Outreach/Training Coordinator in December 1998. The remaining eight checks written to the laborers totaled \$1,410.82.
  
- ◆ On July 17, 1998, GCCAP issued a check for \$150.00 to the Outreach/Training Coordinator. The internal payment request voucher completed by GCCAP's Accounting Technician indicates the funds were to establish a petty cash account. The petty case account has since been depleted. However, GCCAP personnel were unable to provide us with documentation to show how the funds were spent.
  
- ◆ On December 4, 1998, GCCAP issued a check for \$322.07 to the Outreach/Training Coordinator for work sessions previously invoiced by the Outreach/Training Coordinator and paid by GCCAP.

### **RECOMMENDATION**

GCCAP should not issue checks until adequate supporting documentation is received and approved. GCCAP should only pay contractors in accordance with contract rates. The funding agency should seek reimburse of funds which lack adequate supporting documentation.

**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**6. GCCAP MADE SEVERAL QUESTIONABLE PAYMENTS ON BEHALF OF SANKOFA.**

Sankofa's Outreach/Training Coordinator moved to Baltimore, Maryland before the completion of the grant. According to GCCAP personnel, the Outreach/Training Coordinator continued to coordinate the Sankofa program project.

In reviewing the records provided by GCCAP, we found the following:

- ◆ On October 1, 1998, GCCAP reimbursed the Outreach/Training Coordinator \$49.13 for long distance telephone calls made during August 1998 from her mother's home in Baltimore, Maryland to Greensboro, North Carolina. GCCAP issued the following checks to a telephone company to pay the long distance calls made during September, October, and November 1998, from the Outreach/Training Coordinator's mother's home in Baltimore to Greensboro.

<u>Check Number</u>	<u>Date Of Check</u>	<u>Amount of Check</u>
15798	10/09/98	\$ 275.20
15925	11/06/98	288.82
16067	12/11/98	<u>330.30</u>
	<b>Total</b>	<b><u>\$ 894.32</u></b>

- ◆ Further, GCCAP issued a check to a telephone company for \$141.91 to pay the long distance telephone calls made during September 1998 from the homes of two individuals in Greensboro to the Outreach/Training Coordinator's mother's home in Baltimore. Again, on November 16, 1998, GCCAP issued a check for \$52.10 to pay the long distance telephone calls made during October 1998 from the home of one of those same individuals in Greensboro to the Outreach /Training

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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Coordinator's mother's home. According to GCCAP's Executive Director, he assumed the Outreach/Training Coordinator was making work-related calls while she was in Maryland. Although GCCAP's Executive Director did not know the two individuals whose long distance telephone bills were paid by GCCAP, he assumed the long distance calls were all related to Sankofa's work since the calls were to the Outreach/Training Coordinator mother's home. On December 23, 1998, GCCAP issued a check in the amount of \$159.18 to pay for the long distance charges made from the home of one of the Scout Assistants to the Baltimore home of the Outreach/Training Coordinator.

- ◆ GCCAP issued three payments to a telephone company for fax lines based in Greensboro, North Carolina.

<u>Check Number</u>	<u>Date Of Check</u>	<u>Amount of Check</u>
15141	04/17/98	\$ 85.89
15926	05/29/98	74.38
15607	07/01/98	106.49
	<b>Total</b>	<b>\$ 266.76</b>

The account belonged to a person unknown to GCCAP's Executive Director. We were unable to determine Sankofa's need for these fax line services, the extent of use by Sankofa's personnel, and the reason why the account was in this individual's name.

### **RECOMMENDATION**

GCCAP should not issue checks for services without documenting the business nature of these services.



## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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### **7. SANKOFA'S OUTREACH/TRAINING COORDINATOR PERSONALLY BENEFITED FROM THE USE OF GRANT FUNDS.**

In the Family Preservation grants, a portion of the money was set aside and categorized as flex or emergency funds. According to the provisions of the North Carolina Five Year State Plan for Family Support and Family Preservation Services,

...Funded counties may use funds to provide flexible services for families. Flex dollars may be used to assist families by paying for emergency needs such as rent, medical care, utilities, food, or by contracting for needed services for families such as transportation, childcare, or counseling. The use of flex funds will be determined at the local level in consultation with staff from the DFD.

During the course of our review of Sankofa's expenditures, we found two payments characterized as "emergency needs." Although the payments appeared to be questionable regarding their relevancy to the program, GCCAP paid the invoices nevertheless. The two questionable expenditures were:

1. Check number 15505, dated 7/24/98 in the amount of \$80 for payment for a citation for an expired license plate assigned to a vehicle owned by Sankofa's Outreach/Training Coordinator.
2. Check number 15845, dated 10/09/98 in the amount of \$354.40 for payment for repairs to a vehicle owned by Sankofa's Outreach/Training Coordinator.

We asked Sankofa's Outreach/Training Coordinator about these payments. She told us her car was used to transport children to various functions sponsored by Sankofa. She also said that her vehicle was the only means of transportation for the Sankofa program. We also asked GCCAP's Executive Director about these payments. He and his staff questioned Sankofa's Outreach/Training Coordinator about the

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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appropriateness of these payments. Sankofa's staff told GCCAP's Executive Director and his staff that emergency funds could be used for this type of situation.

### **RECOMMENDATION**

DHHS should review payments and seek recovery of inappropriate payments.

#### **8. GCCAP FAILED TO ISSUE INTERNAL REVENUE SERVICE (IRS) FORM 1099'S TO SANKOFA'S CONTRACTUAL LABORERS.**

During 1998, GCCAP contracted with several individuals for professional services to be provided to Sankofa. However, GCCAP failed to prepare and issue IRS Form 1099, a tax-related form that lists miscellaneous income paid to non-employees for services rendered during the year, to those contractors who earned at least \$600.00 during the calendar year. The IRS requires the issuance of Form 1099 to a contractor by January 31 of the following year in which services were provided, and the form be sent to the IRS by the last day of February of the following year in which services were provided. Since GCCAP failed to comply with these requirements, the IRS could assess a penalty to GCCAP. According to GCCAP's Comptroller, GCCAP overlooked issuing the Form 1099's, but plans to issue the forms by the end of January 2000.

Based on our review of GCCAP's records, the following individuals received in excess of \$600.00 from January 1, 1998 through December 31, 1998 for services billed to Sankofa:

**FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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**SCHEDULE OF PAYMENTS TO CONTRACTUAL  
LABORERS**

**JANUARY 1, 1998 – DECEMBER 31, 1998**

<u>Title</u>	<u>Amount Paid</u>
Sankofa's Outreach/Training Coordinator	\$ 5,500.00
Sankofa's Scout Director	2,455.82
Sankofa's Scout Coordinator	1,605.00
Sankofa's Scout Assistant	2,280.00
Martial Arts Instructor	<u>1,070.00</u>
	<u>\$ 12,910.82</u>

**RECOMMENDATION**

GCCAP should comply with IRS regulations.

**9. ASSETS PURCHASED BY GCCAP FOR SANKOFA ARE MISSING.**

GCCAP spent \$1,330.26 of Family Preservation Grant funds in July 1998 and September 1998 to purchase computer equipment consisting of a monitor, CD-ROM drive, an jet printer, and zoom fax modem to be used by Sankofa. However, GCCAP personnel stated they are unaware of the current locations of these items. According to the contract between GCCAP and Youth Focus, ownership of property purchased by GCCAP in which reimbursement is received by Youth Focus through DHHS shall immediately vest with DHHS upon such reimbursement. The Program Consultant with DHHS was not aware of any fixed assets purchased for Sankofa being submitted to DHHS.

**RECOMMENDATION**

GCCAP should locate any equipment purchased for Sankofa and maintain records of the location of these assets.

## **FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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### **10. GCCAP DID NOT EXERCISE ITS FIDUCIARY RESPONSIBILITIES.**

As noted throughout this report, we found questionable practices in the handling of public funds for the Sankofa Program. Among them are:

- ◆ Lack of authorizing signatures for disbursements.
- ◆ Lack of supporting documentation for disbursements.
- ◆ Overpaying the salary of the Outreach/Training Coordinator.
- ◆ Questionable endorsement of checks.

We also found petty cash notes claiming cash payments made to Scout Assistants. We have no documentation that the Scout Assistants received these payments. There were also numerous missing receipts for supplies supposedly purchased with petty cash.

With her relocation, the Outreach/Training Coordinator could not have maintained control of the operation of Sankofa. In our interview with her, she was unclear about checks made payable to her and cashed in her absence. GCCAP personnel never questioned these payments even though they knew she was no longer residing in Greensboro. GCCAP's Executive Director told us he assumed payments of various invoices were for Sankofa business. He failed to take time to confirm payments made were reasonable and legitimate. Though GCCAP had fiduciary responsibility for Sankofa, GCCAP did not exert control over these expenditures.

## **FINDINGS AND RECOMMENDATIONS (CONCLUDED)**

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### **RECOMMENDATION**

GCCAP should strengthen its procedures by ensuring adequate documentation exists before issuing checks. GCCAP should prevent its contract laborers and employees from inappropriately authorizing payments. GCCAP's Executive Director should review voucher requests to ensure payments are accurate, appropriate, and proper.

We further recommend that DHHS, and any other state agencies that provide funds, take steps to assure that state funds will be expended appropriately before providing additional funds to GCCAP or Sankofa.

## ***Statement of Financial Impact***

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The following schedule represents a quantification of the items examined during our special review. We cannot completely quantify the tangible benefits or detriment, if any, to the taxpayer resulting from the findings of our review. We are simply noting these areas where the system of internal controls were either circumvented or should be enhanced, or where, in our judgment, questionable activities or practices occurred.

1. Balance of grant funds expended that were not supported by the names of the participants served and not included in the following items.	\$ 50,027.79
2. Salary paid to Outreach/Training Coordinator after she relocated to Baltimore, Maryland.	7,637.17
3. Payments to GCCAP employees.	3,100.00
4. Payments made to Sankofa contract laborers which lacked supporting documentation.	1,415.82
5. Duplicate payment to Outreach/Training Coordinator.	322.07
6. Petty cash disbursement for which there is no supporting documentation.	150.00
7. Cost of Amtrak train ticket purchased for Outreach/Training Coordinator's trip from Baltimore, Maryland.	161.00
8. Flex account funds used for personal use.	434.40
9. Long distance telephone charges paid with grant funds.	1,154.73
10. Fax line services paid with grant funds.	266.76
11. Cost of computer equipment purchased.	<u>1,330.26</u>
	<u><u>\$ 66,000.00</u></u>

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**REPLY TO RESPONSE FROM  
GUILFORD COMMUNITY ACTION PROGRAM, INC.**

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Sankofa has not responded to this report, as it no longer exists. GCCAP, which acted as Sankofa's fiduciary agent for the grants received in 1998, has responded to the findings and recommendations in this report (pages 29 to 36). After reviewing that response, the need for clarification is evident. This report contains ten separate findings and recommendations; however, it may be summarized as follows: Sankofa received grants to provide the Sankofa Scouts program. Due to the lack of tax-exempt status, Sankofa arranged with various groups to provide administrative and bookkeeping services. Although Sankofa claimed to have served 80 children and 77 adults neither the individuals who worked for Sankofa nor their fiduciary agents could provide documentation or names to support that claim. In addition, the Outreach/Training Coordinator for Sankofa moved to Baltimore, Maryland during the period covered by the grants. Prior to that move that individual had directly interacted with the participants in Sankofa's program. Based on the lack of evidence of services and the departure of the Outreach/Training Coordinator to Maryland, we question Sankofa's use of the funds. In addition, based on these and the other findings discussed in the report, we have questioned other payments and the roles of the fiduciary agents. After careful consideration of GCCAP's response we continue to stand by the findings and recommendations as presented in this report.



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*Response from the Executive Director of  
Guilford County Community Action Program, Inc.*

**Overview**

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Guilford County Community Action Program, Inc. (GCCAP), a non-profit organization, founded in 1985, is based in Greensboro, North Carolina. GCCAP provides weatherization, housing assistance to the homeless, employment and other self-sufficiency services to low-wealth families and individuals. Sankofa, Inc. (Sankofa), a non-profit entity incorporated in 1997, is a grassroots community-based organization located in Greensboro, North Carolina. Sankofa was founded to provide life skills programs for persons in the community. Sankofa's original organizational structure consisted of an Outreach/Training Coordinator and three Scout Assistants. In March 1998, the North Carolina Department of Health and Human Services (DHHS) awarded a \$10,000 state grant to Sankofa. That same year, Sankofa forged a partnership with GCCAP, which acted as the fiduciary agent for the grant.

GCCAP assumed the role of fiduciary agent because Sankofa did not possess the required tax-exempt status at the time of awarding the grant. As Sankofa's fiduciary agent, GCCAP performed bookkeeping, administrative duties and other forms of support for Sankofa. Sankofa used the facilities at Project Uplift, Inc., and GCCAP to meet and conduct programs. One of the programs sponsored by Sankofa was "Sankofa Scouts" a youth leadership/life skills training program for children, ages 6 to 12. The objective of Sankofa Scouts was to present a viable alternative to street gangs, drugs, and other negative influences which confront the youth. Sankofa also sponsored an Adult Leadership Development Training program designed to enhance the skills, qualities and potential of participants within the community.

Sankofa received a \$31,000 federal Family Preservation Program grant from Youth Focus, Inc. (Youth Focus) in June 1997. Youth Focus is a non-profit service organization located in Greensboro, North Carolina. Youth Focus, a lead agency for the Family Preservation Program granted the \$31,000 to Sankofa as a sub-recipient. Sankofa lacking the required tax-exempt status at the time of the grant award, requested Project Uplift, Inc. (Uplift), another Greensboro non-profit organization, serve as the fiduciary agent during 1997. As the fiduciary agent, Uplift performed bookkeeping and administrative support for Sankofa. This relationship between Uplift and Sankofa ended in November 1997.

In July 1998, Youth Focus awarded Sankofa a \$25,000 federal Family Preservation Program as a sub-recipient. Youth Focus received these federal funds through the North Carolina Department of Health and Human Services, Division of Social Services (DSS), as a lead agency for the Family Preservation Program. For the administration of the grant, GCCAP acted as Sankofa's fiduciary agent.

According to GCCAP's Executive Director, GCCAP continues to provide Scout services for the youth within the community. However, the Sankofa organization no longer exists. Presently, GCCAP is the direct sub-recipient of Youth Focus during the fiscal year 1999-2000.

## **Preview**

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The state auditor's special review dated March 2000 outlined ten (10) findings and recommendations. The responses will address the findings and provide clarity and explanations. Many of the findings address the relationship of Sankofa and the Department of Health and Human Resource (DHHS) and Youth Focus Inc. Those findings will not be addressed when relevant. The ten- (10) findings were as follows:

- 1) Sankofa lacked supporting documentation for the programs, which were funded with public money.
- 2) Sankofa's Outreach/Training Coordinator continued receiving a salary after relocating to Baltimore, Maryland.
- 3) A Scout Assistant endorsed and cashed nine checks written to the outreach/Training coordinator.
- 4) GCCAP lacked documentation twenty-five checks issued on behalf of Sankofa.
- 5) GCCAP's Executive Director and other employees received payments from Sankofa's grant funds.
- 6) GCCAP made several questionable payments on behalf of Sankofa.
- 7) Sankofa Outreach/Training Coordinator personally benefited from the use of flex funds.
- 8) GCCAP failed to issue Internal Revenue (IRS) form 1099's to Sankofa's contractual laborers.
- 9) Assets purchased by GCCAP for Sankofa are missing.
- 10) GCCAP did not exercise its fiduciary responsibilities.

Each finding and recommendation will be addressed in this response where pertinent and relevant.

1) **Sankofa lacked supporting documentation for programs which were funded with public money.**

The state auditor review indicated that “the Guilford County Community Action Program Inc. (GCCAP) acted as Sankofa’s fiduciary agent for 1998, \$10,000 and \$25,000 grants. It stated that as fiduciary agent, GCCAP handled all accounting and administrative duties. GCCAP was asked to provide them with the names of children served under these two grants. GCCAP employees said that they could not provide us with this information. Additionally, the review stated that GCCAP was unable to provide documentation to substantiate the Sankofa’s program monitoring performance reports for fiscal year 1998-1999, which are required by the Division of Social Services.

**Response**

Item will be modified by auditor review based on new information. However, the Guilford County Community Action program, Inc. was not responsible for the Sankofa program monitoring performance reports for the fiscal year 1998-99, which was required by the division of Social Services. The lead agency, Youth Focus, Inc. expressed to GCCAP staff that they would continue to maintain or verify the Sankofa program monitoring performance report as in the past prior to GCCAP’s involvement. This was evident in the letter the state auditors obtained from DSS written by the Youth Focus, Executive Director stating “ they (Sankofa) have far exceeded the goals for the project. Additionally, the state auditors’ review stated that “Sankofa submitted this report to both Youth Focus and DSS.”

The state auditors recommended that the funding agencies seek reimbursement of funds that cannot be supported by participant documentation. Reimbursement is not justified for the following reasons: (1) The lead agency, Youth Focus continued to retain the authority to maintain the Sankofa program monitoring reports, (2) GCCAP accounting technician submitted to the state auditors the individual youth participants and (3) GCCAP relied on the lead agency (Youth Focus) to provide to GCCAP consultation and technical assistance and provide monitoring of the program to assure compliance as provided for in the GCCAP contract with youth focus.

**2) Sankofa Outreach/Training Coordinator continued receiving a salary after relocating to Baltimore, Maryland.**

The state auditors in their review question the appropriateness of paying the outreach training coordinator after relocating to Baltimore, Maryland. The auditors stated that the GCCAP Director and Sankofa training coordinator could not recall the exact day of her move. They stated that the outreach coordinator believes she left near the end of 1998. Furthermore, they stated that the outreach/training coordinator assistant signed invoices with her approval. The review noted the purchase of an Amtrak ticket to the outreach/training coordinator from Baltimore to Greensboro, N.C. to attend a seminar. Finally, the review noted that the Outreach/Training Coordinator was paid for work sessions from July 15, 1998 through December 31, 1998, while living in Maryland. The auditors indicated that typical work sessions require face to face interaction.

**Response**

The Sankofa organization was an independent grassroots organization providing youth enrichment services as the sub-contractor of GCCAP. The Outreach/Training Coordinator founded the Sankofa program and coordinated and arranged most of the activities. The N.C. Department of Health and Human Resources, which included Sankofa youth services, approved the proposal for 1998-99. GCCAP did not have the authority to hire or fire or run the day to day operation of an independent sub-contractor. The Sankofa Outreach/Training coordinator indicated that the services to youth would continue. The Coordinator used the telephone and fax communications with her staff and travel back and forth from Maryland to Greensboro by bus, car, train, etc... during the approximate four- (4) month length of the contract. The payment for travel was paid from the HHS and Youth Focus approved line item budget for transportation (exhibit under item 2). Services and activities continued successfully. A former certified public accountant, CPA, advised GCCAP that the arrangement would not be inappropriate as long as the Outreach/Training Coordinator continued to coordinate the activities. The former GCCAP CPA noted that this was a part-time service requiring only eighty hours a month and pointed out that the Sankofa organization had no residence requirements for its employees. Additionally, there are no written requirements from DHHS, Youth Focus, GCCAP or the Sankofa organization that work sessions require face to face interaction of the Sankofa Outreach/Training Coordinator. Karate training, etiquette training and cultural diversity training and other sessions require

the trainer to have face to face interaction with the participants. The Sankofa Outreach/Training coordinator is required to arrange and coordinate these activities. The Outreach/Training Coordinator did that during that period. The Outreach/ Training Coordinator coordinated services and activities for the youth project and there is no need for the funding agency to seek recovery of payments.

**3) A Scout Assistant endorsed and cashed nine checks written to the Outreach/Training Coordinator.**

**Response**

The Outreach/Training Coordinator authorized GCCAP to issue their paycheck to Sankofa staff, the scout Assistant. GCCAP complied with the Outreach/Training Coordinator's authorization and GCCAP staff had no knowledge of the activity of the scout assistant once the check was delivered.

**4) GCCAP's Executive Director and other employees received payments from Sankofa grant funds.**

The auditor review stated that GCCAP was to serve as Sankofas' fiduciary agent for administration of the two 1998 grants. GCCAP would provide administrative services and support for Sankofa program. The review further states that according to the contract and proposal, Sankofa estimated \$2,300 in costs for the fiduciary agent's services. The review further stated that the organization and not the employees should have been reimbursed directly for services. They further stated that GCCAP Executive Director told them that he and other employees were paid as part-time employees of Sankofa. Also, they mentioned that GCCAP did not issue Internal Revenue form 1099.

**Response**

Item will be modified by auditor review based on new information concerning employee/employer relationship of GCCAP and Sankofa. The mutual consent among Sankofa, Youth Focus and GCCAP was that the indirect cost category for GCCAP would be for payment for professional services performed by GCCAP staff. Youth Focus reimbursed payment to GCCAP staff for specific professional services to be performed by GCCAP. This was further confirmed by a letter written by the Youth Focus Director

to the GCCAP Director on May 17, 1999 advising that GCCAP “administrative salaries” should be paid in a different category than indirect cost (see exhibit index #4 findings). The GCCAP Director had the authority to execute an agreement with Youth Focus and HHS per their approval and/or consent. GCCAP will adhere to the review recommendation and will not proceed in this matter in the future. The 1099 IRS forms are presently being processed. The state auditor’s office is assisting us in identifying where we may be able to obtain the additional social security numbers of certain individuals in order to complete the process. We appreciate their suggestions and assistance.

**5) GCCAP lacked documentation for twenty-five checks issued on behalf of Sankofa.**

**Response**

Item will be modified by auditor review based on new information. Documentation has been provided. This item is basically stating that the some of invoices did not agree with the checks. According to the 1998-99 contract, GCCAP paid the Outreach Coordinator the stated amount in the contract and subsequent budget revision. The Sankofa Outreach/ TrainingCoordinator was paid through the GCCAP payroll system every two weeks. This system was set-up by a former GCCAP contracted CPA firm. The checks did not match the invoice amount because it was processed through the payroll system. However, the invoices and the checks match the contract and budget revision amount provided for the outreach coordinator. Please note that there was a budget revision or amendment change requested in the month of October (attached) and approved by the funding agency, Youth Focus. There was no overpayment because of the approval of the budget revision. Additionally, please note exhibit index findings #5 i.e. petty cash reimbursement log. The review had indicated that GCCAP personnel were unable to provide the auditors with documentation to show how the funds were spent. Exhibit findings #5 includes that documentation.

**6) GCCAP made several questionable payments on behalf of Sankofa.**

The auditor’s review stated that the GCCAP Executive Director assumed that work related long distance telephone calls were made from Maryland to Greensboro.



### Response

GCCAP/Sankofa telephone bills and fax bills is clear and convincing evidence that the Sankofa/Training Coordinator communicated on a regular consisted basis with Sankofa staff and others to coordinate activities. Exhibit findings #6 in the exhibit index are the telephone bills and fax bill pertinent to this item. An investigation of the origin and destination of the calls and fax reflect work-related activity. For example, a majority of the calls were made to the scout assistant, the second in command to the Sankofa Outreach /Training Coordinator. GCCAP will adhere to the auditors' recommendation and continue not to issue checks for services without documenting the business nature of these services (telephone calls a faxes).

#### **7) Sankofa's Outreach/Training Coordinator personally benefited from the use of flex funds.**

The auditor's review indicated that check number 15505 dated July 24, 1998 in the amount of \$80.00 for payment of an expired license plate assigned to a vehicle owned by Sankofa's Outreach/Training Coordinator. Additionally, check number 15845, dated October 9, 1998 in the amount of \$354.40 for payment for repairs to a vehicle owned by Sankofa's Outreach/Training Coordinator.

### Response

The car repair was made because it was the most cost efficient way to provide transportation for Sankofa children to attend previously planned activities. Additionally, GCCAP desired the transportation to meet the legal requirements of the state of North Carolina. Sankofa had lost the use of a city of Greensboro van to transport children to various functions sponsored by Sankofa. The city's' van program for non-profits ended. The payment was made for both items from the transportation budget and not flex funds. (Note exhibit findings 8). The payment was made from the proper line item approved by DHHS.

#### **8) GCCAP failed to issued Internal Revenue Service (IRS) form 1099 to Sankofa contractual laborers.**

**Response**

GCCAP is in the process of issuing Internal Revenue Service (IRS) form 1099 to Sankofa contractual laborers.

**9) Assets purchased by GCCAP for Sankofa are missing.**

The auditors review stated that GCCAP spent \$1,330.26 in September 1998 to purchased computer equipment consisting of a monitor, CD-ROM drive, jet printer, and zoom fax modem to be used y Sankofa. However GCCAP personnel was unaware of the location of those assets.

**Response**

GCCAP will adhere to the auditor's review recommendation and locate any equipment purchased by Sankofa and maintain records of the location of those assets.

**10) GCCAP did not exercise its fiduciary responsibilities.**

**Response**

GCCAP exercised its fiduciary duties and responsibilities. Please refer to comments and exhibits responding to the findings and recommendations in this report, the Guilford County Community Action Program's response to state auditor's office special review.

## **Summary**

The Guilford County Community Action Program, Inc. (GCCAP) Sankofa program benefited the public and taxpayers by enriching the lives of low-wealth children. The potential positive benefit to the children's intellectual and emotional development is immeasurable. We ask that the state auditor's Office examine all of the documents and exhibits included in this report. GCCAP has had a good to excellent independent audits over the past fifteen years and desire to maintain its reputation as a fiscally sound organization. It is GCCAP's desire to continue to improve and enhance its system of internal financial controls. The state auditor's review will help GCCAP strengthen its financial fiscal systems and controls. The review is an invaluable State Government service.



*Response from the Secretary of the  
N.C. Department of Health and  
Human Services*

**North Carolina Department of Health and Human Services**  
2001 Mail Service Center ■ Raleigh, North Carolina 27699-2001  
Tel 919-733-4534 ■ Fax 919-715-4645 ■ Courier 56-20-00

James B. Hunt Jr., Governor

H. David Bruton, M.D., Secretary

April 4, 2000

Mr. Ralph Campbell, Jr., CFE  
State Auditor  
Office of the State Auditor  
30 N. Salisbury Street  
Raleigh, NC 27603-5903

Dear Mr. Campbell:

The Department of Health and Human Services (DHHS) is in receipt of and has reviewed the Confidential Draft of the Special Review of the Guilford County Community Action Program, Inc. and the Sankofa Program from Greensboro, North Carolina dated March 2000.

We have grave concerns over the findings of this Special Review. We are most concerned in the areas of lack of documentation, possible misuse of funds, lack of contractual arrangements and lack of client specific records for the agencies reviewed.

However, DHHS is not able to formulate a professional detailed response by finding without reviewing the agency's response to each of these findings. It has been the standard and usual custom that these special reviews and audits have the agency respond to the findings before they are submitted to DHHS. These responses assist our department in formulating our response and position. DHHS relies on the agency response as a starting point of negotiation in any questioned cost findings, as is the case of some of the findings in this special review.

Since this is a Confidential Draft, we are further limited in formulating a response without violating the nature of this draft. Please be assured that we will be ready to cooperate and complete our part of this special review when we are given more information.

Sincerely,

H. David Bruton

cc: Jim Edgerton  
Gary Fuquay ✓  
Kevin Fitzgerald  
Lawrence Wilson

An Equal Opportunity / Affirmative Action Employer  
Location: 101 Blair Drive ■ Adams Building ■ Dorothea Dix Hospital Campus ■ Raleigh, N.C. 27603



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Mr. James D. Johnson	Director, Fiscal Research Division

April 27, 2000

## ORDERING INFORMATION

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