

# **STATE OF NORTH CAROLINA**

## **SPECIAL REVIEW**

### **YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.**

**SHELBY, NORTH CAROLINA**

**NOVEMBER 2004**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

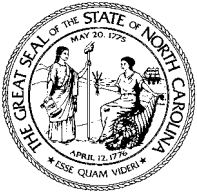
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Ralph Campbell, Jr.  
State Auditor

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## LETTER OF TRANSMITTAL

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December 16, 2004

The Honorable Michael F. Easley, Governor  
Members of the North Carolina General Assembly  
Mr. Matt Walton, Chairman of the Board,  
Youth Assistance Program of Cleveland County, Inc.  
Mr. George L. Sweat, Secretary, North Carolina Department of  
Juvenile Justice and Delinquency Prevention  
Mr. Bryan E. Beatty, Secretary, North Carolina Department of  
Crime Control and Public Safety

Ladies and Gentlemen:

Pursuant to General Statute §147-64.6(c)(16), we have completed our special review into allegations concerning the Youth Assistance Program of Cleveland County, Inc. 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 report 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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## **INTRODUCTION**

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We received allegations through the State Auditor's Hotline regarding the Youth Assistance Program of Cleveland County, Inc., located in Shelby, North Carolina. The complainant alleged the Executive Director hired her daughter and falsified her daughter's qualifications in a state grant agreement. Additionally, the complainant alleged state funds were used to pay for personal expenses for both the Executive Director and her daughter. Further, allegations stated the Executive Director's daughter falsified mileage and expense reports, as well as time sheets submitted for reimbursement to a state agency. The allegation also stated the number of volunteer and youth participants for the Governor's One-On-One Volunteer Program were reported incorrectly to maintain funding. In addition, the Youth Assistance Program of Cleveland County, Inc., received funds from the United Way of Cleveland County for a Basic Needs Grant in September 2002. According to the allegation, funds from this grant were deposited in the Executive Director's daughter's personal bank account and were used to pay for personal expenses of the Executive Director's daughter. Further, we were told that Youth Assistance Program checks were made payable to cash, the Executive Director, and the Executive Director's daughter and cashed by the Executive Director and her daughter.

We used the following procedures to conduct our special review:

- Examined the Youth Assistance Program's bookkeeping records from January 1, 2001 through June 4, 2004.
- Reviewed copies of the Governor's One-On-One Volunteer Program, Governor's Crime Commission PAYS Nurturing Program, the Juvenile Crime Prevention Council Parent and Youth Skills (PAYS) Program and the Cleveland County Department of

## INTRODUCTION (CONTINUED)

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Social Services Parenting Program grant agreements and grant applications for the 2002/2003 and 2003/2004 fiscal years.

- Interviewed current and former Youth Assistance Program employees.
- Interviewed individuals external to the Youth Assistance Program.
- Interviewed individuals employed by various state agencies that awarded grants to the Youth Assistance Program.
- Examined the Youth Assistance Program's bank statements and cancelled checks from July 2003 through May 2004. At the time of our special review the June 2004 bank statements had not been received.
- Reviewed the documentation supporting the Youth Assistance Program's expenses from July 2003 through May 2004.
- Reviewed client information pertaining to the Governor's One-On-One Volunteer Program.
- Reviewed memos, letters, quarterly reports, monthly cost reports and expense reports for grants received by the Youth Assistance Program from the July 2003 through May 2004.
- Reviewed the grant agreement from the United Way Basic Needs Grant, as well as the Basic Needs Grant expense report for the Youth Assistance Program for the time period October 9, 2002, to July 25, 2003.
- Reviewed copies of the cash receipts for the Cooperative Co-Parenting Program in Cleveland and Lincoln counties for the time period March 2004 through June 2004.
- Reviewed copies of the financial statements for the 2002 and 2003 fiscal years.

### The Youth Assistance Program of Cleveland County, Inc. (YAP)

The Youth Assistance Program of Cleveland County, Inc., (YAP) is a non-profit organization located in Shelby, North Carolina. YAP receives federal, state, and local funding, as well as, funding from the United Way of Cleveland County and private donations. YAP provides services such as the Governor's One-On-One Volunteer

## **INTRODUCTION (CONTINUED)**

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Program, Parent and Youth Skill classes (PAYS), Parents and Youth Skills Nurturing Program (PAYS Nurturing Program) and the Cooperative Co-Parenting Program, which is offered in both Cleveland and Lincoln counties. Additionally, YAP provides parenting classes for parents of youth referred by the Cleveland County Department of Social Services.

YAP employs an Executive Director; an Education Coordinator for the PAYS Nurturing Program and the Lincoln County Cooperative Co-Parenting Program (this position is filled by the Executive Director's daughter); an Education Coordinator for the Parent and Youth Skills classes (PAYS) and the Cleveland County Cooperative Co-Parenting Program; and two Coordinators for the Governor's One-On-One Volunteer Program. At the time of our review, YAP did not employ a receptionist or secretary.

All YAP employees report to the Executive Director. The Executive Director reports to the Youth Assistance Program's Board of Directors. According to the Youth Assistance Program's Constitution and By-Laws, YAP shall be managed and controlled by a Board of Directors consisting of not less than 18 nor more than 24 members. A director may serve two three-year terms for a total of six years. Section 4, of YAP's Constitution and By-Laws state,

The Board of Directors shall have the power to manage all the affairs of the organization on any and all questions relating to any policy whatsoever. They shall have entire jurisdiction over all matters pertaining to the care, conduct, supervision, and management of the organization, including hiring and firing and overall supervision of the Executive Director.

## INTRODUCTION (CONTINUED)

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According to the Chairman of the Board, currently the board consists of 7 to 8 members.

A private accounting firm audits the Youth Assistance Program yearly. According to the financial statements provided, YAP revenue totaled \$299,732 in the fiscal year ended June 30, 2003. At the time of our special review, an audit of YAP had not been performed for the fiscal year ended June 30, 2004. Below is a brief description of each program and the amounts awarded to YAP for the fiscal year ended June 30, 2004, according to the grant agreements and a summary of funding as prepared by the Executive Director.

### Program descriptions and funding received by YAP for the fiscal year ended June 30, 2004.

#### The Governor's One On One Program - \$99,000

The Governor's One-On-One Volunteer Program is one of the intervention/prevention programs within the North Carolina Department of Juvenile Justice and Delinquency Prevention (DJJDP). This program provides technical assistance, training, monitoring and funding for local program coordinators who recruit, screen and match adult volunteers with at-risk youth. According to the contract for the Governor's One-On-One Volunteer Program, One-On-One funds are to be used to offset the personnel expenses of the program coordinator and support staff with all other funds being raised locally by the program. According to the grant agreement, YAP was awarded \$90,000 in the fiscal

## **INTRODUCTION (CONTINUED)**

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year ended June 30, 2004, but received an increase in the month of June 2004 increasing the total amount received to \$99,000. Funding is received monthly from the Department of Juvenile Justice and Delinquency Prevention via direct deposit to one of the YAP bank accounts.

### The Juvenile Crime Prevention Council Parent and Youth Skills (PAYS) Program - \$79,567

The Department of Juvenile Justice and Delinquency Prevention, Juvenile Crime Prevention Council Programs awarded YAP \$79,567, according to the grant agreement for the fiscal year ended June 30, 2004. The funding is for the Parent and Youth Skills (PAYS) classes for court-involved youths and their families. Classes provide support for the parents of children involved in juvenile court through referrals from the Cleveland County Juvenile Court. Classes are for 12 sessions that meet once a week from 6 p.m. to 8 p.m. Funding is for operating expenses of the program. Funds are sent to the Cleveland County Finance Department and then checks are disbursed to YAP.

### The Governor's Crime Commission Parent and Youth Skills (PAYS) Nurturing Program - \$42,936.16

The North Carolina Department of Crime Control and Public Safety, Division of the Governor's Crime Commission awarded YAP \$42,936.16 for fiscal year ended June 30,

## **INTRODUCTION (CONTINUED)**

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2004, according to the Cleveland County Finance Department. The funding was awarded for the Parenting and Youth Skills (PAYS) Nurturing Program, which provides classes for at-risk youths and their families and address issues of abuse and neglect. Referrals are from the Department of Social Services and the Abuse Prevention Council. Classes meet once a week for 10 weeks. Cost reports are submitted to the Governor's Crime Commission for reimbursement. Funds are sent to the Cleveland County Finance Department and disbursed to YAP. The funds should only be used for expenses allowed by the grant agreement.

### The Cleveland County Department of Social Services Parenting and Youth Program - \$19,200

In fiscal year ended June 30, 2004, the Cleveland County Department of Social Services awarded YAP \$19,200 to provide parent and youth skill classes. These classes are for families with children in the custody of the Department of Social Services who have been ordered by the court to receive parenting classes, as well as families that have abused or neglected children that are at risk of entering agency custody. YAP invoices the Department of Social Services for their services and the department authorizes the Cleveland County Finance Department to pay YAP. Funds are to be used for operating expenses for classes held once a week from 6 p.m. to 8 p.m. for 10 weeks.

## **INTRODUCTION (CONTINUED)**

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### United Way of Cleveland County - \$15,300

According to the summary of funds received, prepared by the Executive Director, the United Way of Cleveland County awarded YAP \$15,300 for the fiscal year ended June 30, 2004, to be used for operating expenses for the Governor's One-On-One Volunteer Program.

Other support received during fiscal year ended June 30, 2004, per the summary prepared by the Executive Director:

### Cleveland County Youth United Way-\$1,750.00

According to the Executive Director, this is a special funding project for the local United Way. Middle school and high school students sit on a grant panel and designate awards after hearing presentations for participating agencies. Funds are used for the operating expenses of the agency.

### Local Foundation Support-\$29,500

Total received from various foundations. Funds are for operating expenses incurred by the agency.

### Fundraisers-\$9,388.63

Total received from various fundraising activities. Funds are used for operating expenses incurred by the agency.

## **INTRODUCTION (CONTINUED)**

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### Cooperative Co-Parenting Program - \$5,039.00

The Cooperative Co-Parenting Program is for individuals who are ordered by local judges to attend parenting classes. Participants pay a sliding fee based on salaries. Classes are offered in both Cleveland and Lincoln counties. Funds are used to pay facilitators, reimburse travel expenses, and purchase supplies for the program. The objective of the program is to teach communication skills, conflict resolution, anger management and parenting partnerships to divorcing or recently divorced individuals. Classes meet once a week from 6 p.m. to 8 p.m. for 6 weeks.

### Other Income Received - \$624.00

Funds are received from the Children's Home of Cleveland County that shares office space with YAP. The funds pay a portion of telephone/receptionist expenses.

### Interest Income - \$59.94

Interest received from YAP's savings account.

The Youth Assistance Program maintains three separate checking accounts, a money market account, a certificate of deposit account and a savings account, which according to the Executive Director is used as a State Conference Account. There is no record of this account in the accounting records provided by the Executive



## INTRODUCTION (CONTINUED)

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Director, however according to the bank statements the account is in the Youth Assistance Program's name. We requested additional information from the Executive Director regarding the deposits and withdrawals from the account, but have not received that information at this time.

### Schedule of Grants and Other Support Fiscal Year Ended June 30, 2004 (Unaudited)

Governor's One-On-One Program (Note 1)	\$	99,000.00
Department of Juvenile Justice and Delinquency Prevention, Juvenile Crime Prevention Council (Note 1)		79,567.00
Department of Crime Control and Public Safety, Governor's Crime Commission (Note 3)		42,936.16
Cleveland County Department of Social Services (Note 1)		19,200.00
United Way of Cleveland County (Note 2)		15,300.00
Cleveland County Youth United Way (Note 2)		1,750.00
Local Support From Various Foundations (Note 2)		29,500.00
Fundraisers (Note 2)		9,388.63
Cooperative Co-Parenting Program (Note 2)		5,039.00
Children's Home of Cleveland County (Note 2)		624.00
Interest Income		59.94
Total	\$	302,364.73

Note 1 – Grant amount to be awarded pursuant to grant agreement or contract.

Note 2 – Amount provided by the Executive Director.

Note 3 – Amount provided by Cleveland County Finance Department.

It appears many of the funds received are co-mingled; therefore accounting for expenses from each grant is not feasible. The Executive Director maintains signature authority

## **INTRODUCTION (CONTINUED)**

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over all accounts. According to the Executive Director, any purchases over \$1,000 should have Board approval. The Executive Director said she normally receives verbal approval via a phone call and does not have documentation of these verbal approvals. The Executive Director posts the transactions to the computerized accounting system. According to the Executive Director, the accounting firm which audits YAP reconciles the bank accounts. The accountant stated he does not reconcile the bank accounts. In fact, his staff trained the Executive Director to reconcile the bank accounts.

It should be noted an examination of the July 2003 through May 2004 bank statements and cancelled checks for the Youth Assistance Program's bank accounts revealed missing cancelled checks and statements. We requested this documentation from the Executive Director. However, we were informed the Executive Director resigned effective August 26, 2004, and her daughter, the Education Coordinator, resigned earlier in August 2004. Further, both the Chairman of the Board and the Treasurer resigned after we began our special review. The newly elected Chairman of the Board has cooperated in providing us with necessary documentation he has been able to obtain. As stated above, it should be noted at the time of our special review, documents for June 2004 had not been submitted. As a result, we could only examine transactions for the months stated.

## **INTRODUCTION (CONCLUDED)**

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At the time of our review, we were able to ascertain from the grant agreements and the summary prepared by the Executive Director, that YAP received \$302,364.73 for the fiscal year ended June 30, 2004 from fundraisers as well as federal, state, county and local grants and donations.

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## **FINDINGS AND RECOMMENDATIONS**

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### **1. THE YOUTH ASSISTANCE PROGRAM REPORTED INFLATED RESULTS TO THE GOVERNOR'S ONE-ON-ONE VOLUNTEER PROGRAM.**

The Department of Juvenile Justice and Delinquency Prevention disburses funds for the Governor's One-On-One Volunteer Program. The Program is designed to provide technical assistance, training, monitoring and funding for local program coordinators who recruit, screen and match adult volunteers with at-risk and adjudicated youths. For the fiscal year ended June 30, 2004, YAP received \$99,000 for this program.

According to the program standards, funding is based on the number of matches (volunteer/youth) maintained by the agency. The Youth Assistance Program of Cleveland County is a "triple-time" program, which means the number of matches between volunteers and youths will be maintained on an ongoing basis at an average of 50 matches minimum. Twenty-four new matches per year are required for the "triple-time" programs. If a program does not meet the standard for client capacity, the agency is put on probation for 120 days. Each volunteer must have a minimum (on average) of two hours of contact with his or her youth every week and agree to a one-year commitment. Graduation from the program is completed at the end of the one-year obligation. Program coordinators must have monthly contacts with each matched youth. Failure to comply with standards of supervision results in 90 days probation. Probation requires a monitoring visit by the Juvenile Justice staff plus an action plan that describes how the noncompliance will be

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

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corrected during the probationary period. Multiple ongoing non-compliance issues may result in discontinuation of funds. Programs are required to submit monthly reports by the fifth day of each month that detail active matches, matches terminated, new matches and successful completion for the previous month. The monthly reports also indicate race, gender and referral sources on the youth served by the program.

A review of the monthly reports submitted to the Governor's One-On-One Volunteer Program from July 2003 to June 2004 revealed YAP reported 51 or 52 active matches each month. According to the current Program Coordinators, as well as the former Program Coordinator, they were told by the Executive Director to maintain at least 50 matches. Two of the current or former Program Coordinators said they were told by the Executive Director to fluctuate the numbers on the monthly reports, so that it was not obvious matches were carried over. The current Program Coordinators stated a match could not be removed from the monthly reports until another match was made. The current Program Coordinators stated YAP is reporting 51 active matches; however, 11 matches are inactive and should be removed; thereby the actual number of active matches would be 40.

During our review, we received an anonymous e-mail stating that the names of all youth and volunteers matches were listed on a large bulletin board in the YAP office. The e-mail stated the date of the match and date of completion were located on the board.

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

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Further, the e-mail stated some volunteers or youths had moved or were no longer in contact, therefore should be considered inactive. The e-mail said each inactive file has a large asterisk (\*) by the names.

We examined the bulletin board and found the names of several youth/volunteer matches who had a asterisk (\*) by their names. When questioned, the Program Coordinators stated these were the “inactive” files that were reported as active. We reviewed these 11 files and found that at least one youth and one volunteer had moved. Many matches were beyond their one-year commitment and should have graduated. Others no longer maintained contact between the youth and the volunteer, thereby violating the contract. All 11 files should have been removed from the monthly reports and considered “inactive” according to the Governor’s One-On-One Standards. It appears from employee interviews that reporting “inactive” matches as active to maintain the required 50 matches has been the routine procedure for some time.

The Executive Director said she has never told an employee to falsify the number of matches on the Governor’s One-On-One Volunteer Program reports. She said she has told employees they must maintain 50 matches. She said it has been her understanding that all 51 matches reported were active. The Executive Director said there might have been a misunderstanding with the employees. However, the former and current Program Coordinators told us they all felt compelled to report the inactive matches as active.

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

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When we questioned what the asterisk (\*) by the youth/volunteer matches indicated, the Executive Director replied the asterisk (\*) by each name meant the youth would be graduating. As stated above, the board stated the date of the match as well as the date of completion, it was obvious at least five matches were well beyond their completion date. In fact, one match reported active in June 2004 actually completed the program in January 2004. The Executive Director stated she was not aware these were inactive matches, and even if YAP fell below the mandatory 50 matches, YAP had a probation period of 120 days. We then asked the Executive Director why they had not reported the correct number of matches, but she refused to answer.

According to the Acting State Director for the Governor's One-on-One Volunteer Program, an agency reporting 40 active matches would be considered a "double-time" program. As a result, funding would be \$60,000 per year; as compared to the \$99,000 received by YAP, which was inaccurately reported as a "triple time" program.

### **RECOMMENDATION**

We recommend YAP report the accurate number of active matches per the Governor's One-On-One Volunteer Program Standards. The Department of Juvenile Justice should determine if YAP should maintain its status as a triple-time program since YAP is not maintaining the minimum number of matches required. In addition, the Department of Juvenile Justice should seek reimbursement for any overpayments due to inaccurate data.



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

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### **2. THE DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION GOVERNOR'S ONE-ON-ONE VOLUNTEER PROGRAM FAILED TO MONITOR THE YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY.**

According to Acting State Director for the Governor's One-on-One Volunteer Program Juvenile Justice program assistants monitor one-third of the Governor's One-On-One Volunteer Programs each year. During these monitoring reviews, at least eight active files (volunteer/youth), supervision notes, contact notes, and terminated files are reviewed. Additionally, volunteers are personally contacted. The Acting State Director said she and a Program Assistant for the Governor's One-On-One Volunteer Program have been conducting the monitoring reports for the past two years while they have been without a Director. We requested all monitoring reports for YAP, but on July 30, 2004, the Program Assistant said the last time YAP underwent a monitoring review was in 1999 and the report has since been archived or destroyed. The Acting State Director said it was an error on their behalf that YAP had not been monitored since 1999.

According to the Acting State Director, the department was not aware of inaccurate numbers reported on YAP's monthly reports. However, if the department had conducted monitoring reports of YAP it is possible the inaccuracies reported might have been detected and prevented.

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

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### **RECOMMENDATION**

We recommend the department monitor all Governor's One-On-One Volunteer Programs.

**3. THE EXECUTIVE DIRECTOR CONTRACTED WITH FAMILY MEMBERS THAT DID NOT MEET THE EDUCATIONAL REQUIREMENTS AS DESCRIBED IN THE PROGRAM AGREEMENTS.**

As stated in the introduction, the Department of Juvenile Justice and Delinquency Prevention Juvenile Crime Prevention Council awarded the Youth Assistance Program \$79,567 in fiscal year ended June 30, 2004. The grant is to be used to fund Parent and Youth Skills (PAYS) classes for court involved youths and their families. Parents are referred to the program by the Cleveland County Juvenile Court. Classes meet once a week from 6 p.m. to 8 p.m. for 12 weeks.

In addition, the North Carolina Department of Crime Control and Public Safety, Division of the Governor's Crime Commission awarded YAP \$42,936.16 in fiscal year ended June 30, 2004, to fund the Parent and Youth Skills Nurturing Program. The Nurturing Program provides classes for at-risk youths and their families through referrals from the Department of Social Services and the Abuse Prevention Council. The Program is designed to address issues of abuse and neglect, and classes meet once a week for 10 weeks.

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

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The program agreement for the Parent and Youth Skills Program, as completed and signed by the Executive Director, lists the staff to be utilized, along with their educational achievements. The Executive Director and the facilitators are all listed as having at least a bachelor degree in the appropriate fields. The agreement also states that any other facilitators and co-facilitators contracted to conduct the classes will have a Bachelor's or Master's degree in the appropriate fields.

The 2003 grant application for the Nurturing Program submitted to the Governor's Crime Commission by the Executive Director states, "Each group is facilitated by two professionals, one lead facilitator, and a co-facilitator." "All facilitators/co-facilitators have a Bachelor's or Master's degree in Psychology, Sociology, Family Counseling or Human Services".

A review of YAP cancelled checks and the Parenting Project Expense Report from July 2003 to July 2004, revealed payments to both the Executive Director's daughter, who is also the Education Coordinator for the Nurturing Program and the Lincoln County Cooperative Co-Parenting classes, and the Executive Director's brother. On both checks payable to the Executive Director's daughter and brother, memos indicated the payments were for facilitating and co-facilitating. The Parenting Project Expense Report also indicates the payments were for facilitating classes.

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

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The Executive Director's daughter admitted she did not have a bachelor's degree as required by the grant agreements. The Executive Director said her daughter had three years of college and her brother was contracted as a co-facilitator. She said her brother did not have an associate's degree, but was "grandfathered-in". She agreed facilitators were required to have four-year degrees. For a detailed schedule of checks paid to the Executive Director's daughter and brother, see Schedule 1 titled Questionable Checks and Withdrawals.

### **RECOMMENDATION**

We recommend YAP only contract with facilitators and co-facilitators that have the required educational degrees.

- 4. THE EDUCATION COORDINATOR FOR THE PARENT AND YOUTH SKILLS NURTURING PROGRAM, WHO IS ALSO THE EXECUTIVE DIRECTOR'S DAUGHTER, FALSIFIED MILEAGE REPORTS AND SUBMITTED DUPLICATE EXPENSE RECEIPTS TO THE GOVERNOR'S CRIME COMMISSION FOR REIMBURSEMENT. SHE WAS ALSO PAID FOR CONTRACTUAL SERVICES THAT SHOULD HAVE BEEN A PART OF HER NORMAL DUTIES ACCORDING TO THE GRANT AGREEMENT.**

As stated in the Introduction and Finding 3, the North Carolina Department of Crime Control and Public Safety Division of the Governor's Crime Commission awarded YAP \$42,936.16 in fiscal year ended June 30, 2004, for the Parent and Youth Skills Nurturing Program. YAP submits cost reports to the Governor's Crime Commission for reimbursement, and funds are sent to the Cleveland County Finance Department and disbursed to YAP. Funds are to be used for expenses listed in the grant agreement only.

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

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In the allegation received, we were informed the Parent and Youth Skills Nurturing Program Education Coordinator, also the Executive Director's daughter, was reporting mileage for travel to a shelter for abused women that was closed. We reviewed the mileage reports submitted by the Executive Director's daughter from June 2003 through May 2004. The review revealed mileage being reported for travel to two different women's shelters. We contacted the Director of one of the abused women's shelters and questioned her about the dates reported on the mileage reports. The Director stated the Executive Director's daughter had not visited the shelter on the dates reported on the mileage reports. Further, she stated one of the shelters had closed in May 2003 and any mileage claimed traveling to that shelter after May 2003 would be inaccurate.

According to the mileage reports reviewed, the Executive Director's daughter claimed a total of 28 visits to the shelter after the date of closing. The mileage reports reflect the purpose of the visits was for Parent and Youth Skills classes. Obviously, classes cannot be conducted at a shelter that is closed. An employee of the open shelter stated the Executive Director's daughter was supposed to teach Parent Youth Skills classes once a week. The shelter employee said, "the Education Coordinator is never there, usually calls in sick, or no one calls to say a class is cancelled. She (the Education Coordinator) is always making excuses". Again the purpose of the visits to this shelter was stated as Parent and Youth Skills classes. However, it appears the Executive Director's daughter

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

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was not providing services as stated in the grant agreement. Further review of the cost reports, revealed the Coordinator never deducted any leave from her time sheets for the time period June 2003 through May 2004. The Executive Director signed and certified she had reviewed both the mileage and time sheet reports and they were accurate.

A review of the cancelled checks revealed the Executive Director's daughter was paid \$600 on March 15, 2004, for eight parenting classes for the Abuse Prevention Council and \$350 on May 21, 2004, for Cooperative Co-Parenting and APC Parenting classes. (See Schedule 1, titled Questionable Checks and Withdrawals for detailed information of payments). The Abuse Prevention Council classes appear to be a service that should have been provided according to the grant agreement. Consequently, the Executive Director's daughter should not have received additional payments for these classes. Further, as stated in Finding 3, the Executive Director's daughter does not have the educational requirements to teach these classes. According to the grant managers with the Governor's Crime Commission, grant funds could not be used to pay existing personnel and would be considered supplanting, which is not allowable per the grant agreement.

Further review of the cost reports submitted for the period of July 2003 through May 2004 revealed purchases for clothing, kitchen items, a Halloween costume, DVDs, men's clothing, men's underclothing, disc player, bike, bike helmets and many other purchases that appear to be personal and not allowed under the grant agreement. In some cases, only credit card statements were submitted without itemized receipts to support the purchases.

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

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Additionally, a receipt submitted in January 2004 from an office supply store for \$210.89 was also submitted in February 2004. As stated earlier, YAP is reimbursed based on the cost reports submitted to the Governor's Crime Commission. Therefore, YAP received payment twice for the same expense. According to the Grant Manager for the Governor's Crime Commission, items must be included in the application/contract to be allowable expenses. The application/contract does not include purchases of clothes or gifts for participants, thereby making those items unallowable.

The Executive Director's daughter admitted falsifying her mileage reports. She said she was told by a former employee to do so. The former employee said she was told to falsify her mileage by the Executive Director after she learned the Executive Director's daughter was falsifying her mileage reports. She said she did falsify her mileage reports, but immediately started seeking other employment. Both the former employee and the Executive Director's daughter said they were told the mileage was allotted in the grant and they should report the miles. The former employee stated the Executive Director told her this. The Executive Director's daughter would not say if her mother was aware she was falsifying her mileage reports. As stated above, the mileage reports were signed by the Executive Director certifying they were reviewed and accurate.

The Executive Director's daughter also admitted she had purchased personal items when purchasing items for YAP, although she could not specify which items purchased were personal. She also stated she was paid for classes she did not teach. Again, the Executive

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

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Director's daughter would not state if her mother was aware she was paid for classes she did not teach or had purchased personal items with YAP funds.

The Executive Director said she did not know her daughter falsified her mileage reports, purchased personal items with YAP funds, or was paid for classes she did not teach.

As a result of the statements by the Executive Director's daughter, we question all mileage reported by her as well as all payments to her for teaching Parent and Youth Skills classes. (See Schedule 1 titled Questionable Checks and Withdrawals and Schedule 2 titled Questionable Mileage for detailed information.)

Further, we question her yearly salary of \$30,512.50 as provided by the grant agreement for the fiscal year ended June 30, 2004, since we have no means of determining whether she provided the classes as required by the grant agreement.

YAP was not awarded this grant for fiscal year ended June 30, 2005.

### **RECOMMENDATION**

The Governor's Crime Commission should seek reimbursement from YAP for any duplicate or unallowable expenses. In addition, we recommend YAP seek legal counsel regarding any possible reimbursement.



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

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### **5. THE EXECUTIVE DIRECTOR VIOLATED THE GOVERNOR'S CRIME COMMISSION PARENTING AND YOUTH SKILLS NURTURING GRANT AGREEMENT.**

As stated in Finding 4, the Parenting and Youth Skills Nurturing Program Education Coordinator is the Executive Director's daughter. The Executive's Director's daughter admitted to receiving payments for classes she did not teach, paying for personal items with YAP funds, falsifying mileage reports, as well as receiving YAP checks for personal use. Further, the Education Coordinator did not have the educational requirements to facilitate the classes for which she received payment from YAP. Again, it should be noted the Executive Director is the one that signed the checks and indicated the payment was for classes.

The Executive Director violated, at a minimum, the Conflict of Interest Policy as stated in the Governor's Crime Commission 2004 Grant Award Packet, page 5, title B. This policy states,

"Personnel and other officials connected with this grant shall adhere to the requirements given below:

*2. Appearance: In the use of these grant funds, officials, or employees of state or local units government and nongovernmental grantees/subgrantees shall avoid any action which might result in, or create the appearance of:*

- a) Using his or her official position for private gain;*
- b) Giving preferential treatment to any person;*
- c) Losing complete independence or impartiality;*
- d) Making an official decision outside official channels; or*
- e) Affecting adversely the confidence of the public in the integrity of the government or the program."*

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

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Further, the Commingling of Funds Policy on page 10 of the Governor's Crime Commission 2004 Grant Award Packet states,

*.....the accounting systems of all recipients and subrecipients must ensure that agency funds are not commingled with funds from other Federal agencies. Each award must be accounted for separately. Recipients and subrecipients are prohibited from commingling funds on either a program-by-program or project-by-project basis.*

*Funds specifically budgeted and/or received for one project cannot be used to support another. Where a recipient's or subrecipient's accounting system cannot comply with this requirement, the recipient or subrecipient shall establish a system to provide adequate fund accountability for each project it has been awarded.*

YAP maintained accounting software capable of accounting for all grants awarded and their appropriate expenses. However, the software was not fully utilized and funds were not accounted for appropriately. As a result, it is not feasible to account for expenses for each grant awarded. Consequently, the Executive Director failed to comply with the grant agreement as stated above.

### **RECOMMENDATION**

We recommend YAP maintain the necessary accounting system as required by each grant. Further, grant funds should be accounted for separately and not commingled.

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

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### **6. THE COST REPORTS SUBMITTED FOR THE GOVERNOR'S CRIME COMMISSION GRANT WERE NOT MONITORED ADEQUATELY.**

As stated in Finding 4, the Governor's Crime Commission grant is paid by reimbursement of expenses reported on monthly cost reports submitted to the Cleveland County Finance Department and the Governor's Crime Commission. We noted duplicate expenses reported, falsified mileage reports, unallowable expenses and in some cases credit card statements submitted rather than itemized receipts. According to the Cleveland County Finance Officer, she is responsible for monitoring YAP's cost reports at the county level. The Cleveland County Finance Officer agreed that itemized receipts should be submitted and stated she "spot" checked cost reports mainly verifying the personnel expenses. She said she never questioned any expenses submitted for reimbursement and there was an amount of trust that the information submitted was correct.

The Grant Manager for the Governor's Crime Commission said she began monitoring the cost reports in May 2004. We reviewed YAP's cost reports from June 2003 through May 2004. We were unable to contact the prior Grant Manager to see if cost reports had been monitored prior to May 2004.

### **RECOMMENDATION**

We recommend the Governor's Crime Commission monitor cost reports thoroughly and ensure the proper documentation is submitted prior to authorizing disbursement of funds.

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

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### **7. THE EDUCATION COORDINATOR/EXECUTIVE DIRECTOR'S DAUGHTER WAS PAID FOR FACILITATING DEPARTMENT OF SOCIAL SERVICES PARENTING CLASSES THAT SHE DID NOT FACILITATE.**

As stated previously, the Cleveland County Department of Social Services awarded YAP \$19,200 in fiscal year ended June 30, 2004, to conduct court ordered parenting and youth skill classes for families whose children are in the custody of the department. Funds were disbursed by Social Services after an invoice was received each month from YAP. The Executive Director's daughter said she recently became responsible for coordinating the parenting classes. She said the Governor's Crime Commission Grant had not been awarded for the fiscal year ending June 30, 2005, and as a result, her position as Education Coordinator would not be funded. A review of payments to the Executive Director's daughter revealed payments for facilitating Social Services classes. The Executive Director's daughter said she was paid for classes she did not facilitate. The Executive Director said she did not know her daughter was not facilitating the classes. She said if her daughter submitted an invoice she billed Social Services. As stated in Finding 4, we questioned all payments to the Executive Director's daughter since she admitted she was paid for classes she did not teach (See Schedule 1 titled Questionable Checks and Withdrawals for further detail).

### **RECOMMENDATION**

We recommend YAP seek legal counsel regarding any possible reimbursement.

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

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**8. THE EXECUTIVE DIRECTOR PAID FAMILY MEMBERS AND FAMILY MEMBERS' PERSONAL EXPENSES WITH THE UNITED WAY BASIC NEEDS GRANT FUNDS. ADDITIONALLY, THE EXECUTIVE DIRECTOR AND HER DAUGHTER CASHED CHECKS AND THERE IS NO DOCUMENTATION SUPPORTING HOW THE FUNDS WERE USED.**

We reviewed the award letter, agency agreement and the request for proposals for the Cleveland County United Way Basic Needs Grant for fiscal year ended June 30, 2003.

According to the award letter, YAP was awarded \$15,650 for the fiscal year. The criteria on the request for proposal states,

- Granted funds may only be used for those who document need as a result of currently being unemployed and show evidence of actively seeking employment and/or training for employment.
- Funds may be used for housing, food, utilities, tuition, childcare, adult care and medical bills.....

Although the Office of the State Auditor does not routinely review United Way transactions, we felt obligated to report what we found.

A former employee said she was asked in July 2003 to deposit a YAP check in the Executive Director's daughter's personal bank account. She said the Executive Director signed the check. She said later at a board meeting, she noticed the check she had deposited in the Executive Director's daughter personal bank account was coded to "basic needs" on the monthly expense report. She said she later heard the Executive Director's daughter received a \$500 basic needs grant. Another former employee told us the Executive Director's daughter had received a \$500 basic needs grant and her mother (the Executive Director) said she qualified for the grant.

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

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When we originally questioned the Executive Director, she said it was a “one-time thing”; the United Way had awarded YAP a grant that permitted YAP to disburse funds to anyone in need and participated in a YAP program. The Executive Director said the check referred to above was cashed by her daughter, who paid clients’ bills. The Executive Director said she did not have a client file with documentation of the expenses, but would contact the abused women’s shelter where the clients formerly resided. We received a copy of a fax from the abused women’s shelter stating YAP paid for two client’s rent and power deposits. No amounts were stated. We contacted the shelter employee who wrote the fax and she said she could not recall how much money was paid for the clients’ expenses, but YAP should maintain those records. She said no other clients received assistance from YAP.

The Executive Director’s daughter said she did receive a check for \$500 for a basic needs grant. She said her mother said she qualified for a grant. She said she also received another check for \$500 that she cashed and paid the clients’ bills. She said the expenses were \$500, but she did not have any documentation to support the amounts she paid. We attempted to verify the rental and power deposit payments for the two clients by contacting the apartment complex, however we were unsuccessful.

The Executive Director’s daughter further said that in January 2003 her mother paid her personal rent bill. The Executive Director’s daughter provided us with the name of the landlord. A review of the Basic Needs Grant Expense Report revealed a YAP check dated

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

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January 10, 2003, payable to the landlord in the amount of \$830. The memo section of the check states, “two months rent”.

A review of the Basic Needs Grant Expense Report revealed three \$500 checks totaling \$1,500 to a daycare center. At least one of the checks indicated the payment was for childcare for a family. We contacted the owner of the daycare center and he stated the \$1,500 he received from YAP, was for the Executive Director’s grandson. The Executive Director’s daughter admitted the payments were for her son’s daycare.

Further, we found checks payable to YAP’s bank and cashed by the Executive Director or her daughter. The Executive Director’s daughter admitted to cashing checks for her personal expenses. She said she paid her personal bills with the cash she received.

The Executive Director’s daughter said a former YAP secretary allowed her health insurance to lapse and during that time, she had surgery. Since her insurance had lapsed, the insurance company denied payment for the surgery. The Executive Director’s daughter said since it was the fault of the former secretary and she was having both marital and financial problems, she qualified for the basic needs grant.

Originally, the Executive Director denied making the \$500 payment to her daughter, the \$1,500 payments to the childcare center and the \$830 for her daughter’s personal rent. When we told the Executive Director we had confirmed these payments with the owner of the childcare center and her daughter, she admitted writing the checks for her daughter.

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

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She said a former secretary had let her daughter's health insurance lapse and her daughter had to have surgery. She said due to the lapse in the health insurance and denial of payment, the daughter owed approximately \$7,000 in medical expenses. The Executive Director said the YAP's board approved a cash payment to her daughter for the medical expenses. The Executive Director said she refused the payment because she thought it would "look bad" since the payment would go to her daughter. The recently elected Chairman of the Board said the Board did award the Executive Director's daughter approximately \$15,000, but the Executive Director refused. We requested the Board minutes for the approval, but have not received them at this time.

A review of the Basic Needs Grant Expense Report reveals payments to the Executive Director's sons for assembling furniture, and to the Executive Director's sister for catering services.

As stated above, we found checks that were cashed without documentation supporting how the funds were spent. For example, on December 12, 2002, the Executive Director cashed a check for \$1,500. The memo section of the checks states "Christmas presents for One-on-One". However, there are no receipts or documentation to support what was purchased or for whom. The Executive Director said it was common practice to cash a YAP check to pay a client's personal expenses. She said the United Way told her they did not want any records, therefore she did not maintain any files. We requested the names,



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

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addresses, expenses and amounts paid for all checks that were cashed and coded to the Basic Needs Grant. We were never provided with that information.

The United Way Basic Needs Grant 2002-2003 requests for proposals clearly states,

*The focus of this grant is to assist those who have been affected by the economic downturn and layoffs in Cleveland County.*

*...funds may only be used for those who document need as a result of currently being unemployed.*

The Executive Director's daughter was employed at the time she received funds, thus did not qualify for a basic needs grant.

The request for proposal also requires a report that details how the funds were expended and how many individuals were assisted at the end of the 12-month period. The Executive Director reported all funding was expended on participants in one of YAP's programs (see Exhibit 1). There is no mention that funds were used to pay her daughter's personal expenses.

Based on the statements received from both the Executive Director and her daughter, it appears Basic Needs Grant funds were misused and such use violated the grant agreement. (See Schedule 1, titled Questionable Checks and Withdrawals for further details.)

### **RECOMMENDATION**

We recommend YAP Board of Directors implement procedures to ensure funds are used for their intended purposes.

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

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### **9. THE EXECUTIVE DIRECTOR HIRED, CONTRACTED AND SUPERVISED SEVERAL FAMILY MEMBERS CREATING THE APPEARANCE OF A CONFLICT OF INTEREST.**

A review of YAP's accounting records from January 1, 2001 to June 4, 2004, revealed the Executive Director employed her daughter, sister-in-law, and niece. The Executive Director also contracted with both of her sons, her brother and her sister for various services. (See Schedule 1, titled Questionable Checks and Withdrawals for further details)

In our opinion, the Executive Director, at a minimum, created the appearance of a conflict of interest when she hired or contracted with family members.

### **RECOMMENDATION**

We recommend YAP Board of Directors implement a conflict of interest policy and employees adhere to the policy.

### **10. GRANTS FUNDS WERE RECEIVED FOR POSITIONS THAT DID NOT EXIST.**

Based on the Governor's One-On-One Volunteer Program Grant Application an annual salary of \$18,000 was budgeted for an administrative assistant. According to the program agreement provided by the Department of Juvenile Justice and Delinquency Prevention, \$8,840 was allotted for an administrative assistant.

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

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All current employees told us that the agency is often without a receptionist or administrative assistant. We were told by all current employees that each employee is designated a day to answer the phones and on these days each employee is paid a receptionist rate of \$8.50 for each hour they answer the phone in addition to their regular salary.

In our opinion, employees should not receive additional funds for answering the phone in addition to their salaries for their normal duties. Rather, the money budgeted for a secretary or administrative assistant should be used to employ a secretary or administrative assistant or be returned to the appropriate granting agency. The Executive Director said her accountant told her to stop this practice. As a result, YAP no longer pays employees additional money for answering the phones. According to the payroll summary provided by the Executive Director, a total of \$6,557.03 was paid to YAP employees for answering the phones in addition to their annual salaries in the fiscal year ended June 30, 2004.

### **RECOMMENDATION**

We recommend YAP spend grant funds in accordance with the grant agreements and revert any unused funds to the appropriate agency.

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

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### **11. THE YOUTH ASSISTANCE PROGRAM LACKED INTERNAL CONTROLS, PROCEDURES AND BOARD INVOLVEMENT. IN ADDITION, YAP VIOLATED ITS OWN POLICIES AS STATED IN THE PERSONNEL REGULATIONS.**

We requested the Executive Director provide any policies and/or procedures manuals.

We received a Personnel Regulations Manual, but no written accounting procedures manual.

As stated in several of the findings above, YAP checks were cashed and there is no documentation of how the funds were spent. In some cases, the checks' memo sections reflected the checks were for "travel expenses" or "reimbursements for office supplies"; however, there were no travel expense reports completed, or receipts submitted for reimbursement documenting what was purchased.

According to the Travel Expenses policy in YAP's Personnel Regulations Manual,

*Receipts for all meals, hotel and parking fees and other expenses such as registration fees, etc. must be presented for reimbursement on the YAP designated reimbursement form.*

It appears the Executive Director violated this policy since there are no receipts for the checks cashed for "reimbursement of travel expenses" or any reimbursement forms completed.

A review of cancelled checks revealed a check posted to the accounting system as payable to a vendor, but the cancelled check revealed the check was payable to the Executive

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

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Director's daughter. It appears the Executive Director maintained signature authority and control of all the accounting records and bank accounts and was not monitored by the Board of Directors.

We also were given a copy of YAP's petty cash procedures. However, current and former employees told us if supplies were needed the employee would tell the Executive Director and either use cash or the debit card and give the receipt to the Executive Director. No purchase requests were completed and none of the employees were aware of any petty cash or purchasing procedures. We were informed by a current employee that the day we requested this information she was asked by the Executive Director to research "petty cash procedures" on the internet. It appears there were no procedures until we requested the information. Additionally, the employees were not informed of any procedures.

### **RECOMMENDATION**

We recommend that adequate segregation of duties, multiple signature requirements, implementation and enforcement of purchasing and petty cash procedures, board involvement, and independent reconciliation occur to establish financial integrity. In addition, the board needs to review monthly finance reports and all grant agreements, as well as maintain documentation supporting all disbursements. The organization should maintain appropriate accounting records in accordance with grant agreements. Employees should not cash checks but rather write checks payable to a vendor and maintain copies of invoices as supporting documentation.

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

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### **12. FUNDS COLLECTED FOR THE COOPERATIVE CO-PARENTING PROGRAM WERE NOT ACCOUNTED FOR PROPERLY AND AS A RESULT CANNOT BE VERIFIED.**

According to the Executive Director, the Cooperative Co-Parenting Program provides parenting classes to court-ordered parents that are divorcing or recently divorced. Fees are based on the individual's income and collected at the classes. The Program is offered in both Cleveland and Lincoln counties.

The Cleveland County Cooperative Co-Parenting Education Coordinator said the facilitator of the class collects the fees for all participants and provides a receipt. Each receipt indicates the name of the individual, the amount paid, and the date paid, purpose of payment, type of payment (cash or check), and is signed or initialed by the person collecting the fee. The participant receives a copy of the receipt and YAP maintains two duplicate copies. The Cleveland County Coordinator said she collects the money from the facilitator and verifies the amount collected to the receipts, and then documents the payments and participant information in a spreadsheet for each class. She said she places the fees collected in an envelope with the date and total amount collected recorded on the envelope. She said she slides the envelope under the Executive Director's locked office door after the class. Classes are held in the evening and the Executive Director is normally not present.

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

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The Cleveland County Coordinator provided us copies of all receipts from May 5, 2004 to June 9, 2004, as well as the spreadsheets for that period. She said she was not aware of a formal procedure for collecting the funds. According to the receipts and spreadsheets from May 5, 2004, to June 9, 2004, a total of \$1,070 was collected in fees for the Cleveland County Cooperative Co-Parenting Program.

The Lincoln County Cooperative Co-Parenting Education Coordinator, who is also the Executive Director's daughter referred to in other findings, said the facilitator collects the fees from the participants and completes a receipt. The receipts provide the following information: date, name of participant, amount paid, purpose of payment, type of payment and initialed is by the individual collecting the fees. The Lincoln County Coordinator said she collected the fees for the first class, but has not attended a class since. She said the facilitator collects the fees and gives the funds to her the day after class. She then gives the cash and/or checks to her mother, the Executive Director, for deposit. She said she does not verify the amount received to the receipts. She provided us with copies of the receipts from May 17, 2004, to June 28, 2004.

The receipts for that time period, indicate \$1,000 was collected from the Lincoln County Cooperative Co-Parenting Program.

A review of the deposit detail report provided from the YAP accounting records revealed a total of \$460 was deposited for the Cooperative Co-Parenting Program for the time

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

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period May 5, 2004, to June 4, 2004. The accounting records provided deposit information only through June 4, 2004. Receipts for both programs for that same time period reveal a total of \$1,190 was collected in fees for the Cooperative Co-Parenting Program and approximately \$350 was collected in cash, according to the receipts.

Of the \$1,190 collected, we could only identify \$460 that had been deposited in the bank accounts.

### **RECOMMENDATION**

We recommend YAP develop and implement a policy for collecting fees for the Cooperative Co-Parenting Program. All funds collected should be accounted for in YAP's accounting records, as well as by the individual collecting the fees. All funds should be deposited as soon as possible.

#### **13. YAP FUNDS WERE USED TO PAY FOR PERSONAL EXPENSES FOR BOTH THE EXECUTIVE DIRECTOR AND HER DAUGHTER.**

Based on the allegation that personal expenses were charged to YAP's credit card, debit cards and banks accounts, we reviewed credit card statements, receipts, bank statements and cancelled checks from July 2003 to June 2004. We noticed an unusual amount of groceries, clothing for men, women and young boys and many other items that appear personal in nature. We also found debits for meals, gas and travel accommodations without any supporting documentation. Many of the purchases were not supported by receipts; therefore we questioned the expense. Further, employees said limited amounts



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

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of food were served at the YAP office, so they do not know why the groceries were purchased. We also noted debit payments to Cleveland Community College. The Executive Director's daughter admitted she used the YAP's debit card to pay for her books and tuition at the community college. The Executive Director's daughter said she took a World Civilization class and her mother was aware YAP was paying for her class.

The Executive Director's daughter also admitted a check in the amount of \$80 was for a babysitter for her son. The Executive Director signed the check, but denied the payment was for a babysitter until we informed her that her daughter had admitted the check was for babysitting. We also noted a receipt that revealed a large outdoor umbrella had been purchased. The Executive Director said the umbrella was for personal use and she mistakenly used the YAP debit card. We noted there were many other items purchased on the same receipt, but the Executive Director stated these items were used in the YAP office.

We attempted to verify other receipts which included items that appeared to be personal such as: Estroven, cube steak, okra, panty hose, make-up, cat food, drill sets and DVDs. The Executive Director denied these items were personal, but would not say why they were purchased. We also attempted to verify charges or debits that were supported by receipts. Again, the Executive Director would not explain the purchases. Following this finding is a schedule titled Schedule 3 Questionable Charges/Debits that list all charges

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

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and debits that are considered questionable. The reasoning for questioning the expenses is stated in the schedule.

Based on the allegation that checks were written to cash, a bank, or to the Executive Director and her daughter, we examined the bank statements and cancelled checks from June 2003 to May 2004. We found many checks had been cashed by the Executive Director or her daughter and with no documentation of how the funds were spent. Due to the seriousness of this allegation, we attempted to identify checks that appeared to be cashed for the time period of January 2001 to May 2004. We consider checks made payable to cash to be questionable if not supported by documentation. During our review, we also found checks recorded in the accounting records as payable to a vendor but were actually payable to a different party. For example, a check recorded as payable to a grocery store was payable to the Executive Director's daughter. (See Schedule 1 titled Questionable Checks and Withdrawals for further detail).

### **RECOMMENDATION**

We recommend checks not be written to cash or a bank except in limited circumstances, such as replenishment of a petty cash fund. All disbursements should be supported by detailed documentation such as requisitions, purchase orders, receiving reports or invoices. The bank accounts should be reconciled each month by someone independent of the authorization and record-keeping processes. The reconciler should verify details on

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

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cancelled checks agree with accounting records. Discrepancies should be thoroughly investigated and verified. We also recommend the YAP Board thoroughly review the questionable checks listed in this report and seek legal counsel regarding any possible reimbursement.

In conclusion, due to the seriousness of our findings, we are referring this report in its entirety to the State Bureau of Investigation and Cleveland County District Attorney's Office.

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## **STATEMENT OF QUESTIONED COSTS**

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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 taxpayers resulting from the findings of our review. We simply are noting areas where managerial oversight should be enhanced, or where, in our judgment, questionable activities or practices occurred.

1. Questionable checks and withdrawals January 1, 2001 – May 31, 2004.	\$ 37,177.78
2. Questionable purchases using the debit and credit cards July 1, 2003 – May 31, 2004.	10,824.69
3. The Youth Assistance Program inflated results to the Governor's One-On-One Volunteer Program (\$99,000 - \$60,000).	39,000.00
4. Questionable mileage reports proposed by the Executive Director's daughter.	990.40
5. Yearly salary of the Executive Director's daughter.	30,512.50
6. Administrative Assistant position funding paid to employees.	6,557.03
7. Cooperative Co-Parenting Program fees collected but not deposited.	730.00
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Total	<u>\$ 125,792.40</u>

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**GOVERNOR'S  
One-on-One  
VOLUNTEER PROGRAM**



## Youth Assistance Program

of Cleveland County, Inc.

Post Office Box 2705

Shelby, NC 28151-2705

(704) 482-2315 • Fax (704) 482-3144

October 17, 2003

Mrs. Julie Young  
United Way of Cleveland County  
PO Box 2242  
Shelby, North Carolina 28151-2242

Re: Basic Needs Grant

Dear Julie:

On September 30, 2002, the Youth Assistance Program received a check in the amount of \$15,650.00 for the basic needs of those clients that qualified. The funds were designated for housing, food, utilities, childcare, adult care, and medical bills for families that are involved in YAP, and who were unemployed and were actively seeking employment, etc. Special activities for the youth and volunteers were also included in our specifications.

One other stipulation for the grant was that the money must be spent within one year time frame and if this did not occur, all remaining money should be returned to the United Way office. Actually, we spent \$17,474.00. An individual from the community gave us money to add to the amount you gave us, and allowed us to serve even more families.

Over the course of the year, we were able to buy **birthday presents** for all of the youth in our program (75 in the mentoring program, and 7 in the parenting programs = average gift was \$15.00 per child = approximately \$1200.00). We were also able to buy **Christmas presents** for 15 families in the parenting projects (approximately \$350-\$450 per family = \$6000). Fourteen families were also helped with rent, utilities, groceries, childcare, medical bills, and other basic needs (approximately \$500.00 per family = \$7,000). Three large activities for the youth, volunteers, and families = **Thanksgiving dinner, Christmas Party and skating party were provided** = approximately \$1000. We also provided a **special tutoring program** for a youth in the program (North Carolina Outward Bound) = approximately \$2,300.

We felt like Santa Claus for one complete year. The lives of many were changed, and hope was renewed. Thank you for giving us the opportunity to help our youth and their families.

Sincerely,

Pam Greene  
Executive Director

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**SCHDULE 1**

<b>YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.</b> <b>QUESTIONABLE CHECKS AND WITHDRAWALS</b> <b>SORTED BY PAYEE</b> <b>January 1, 2004 - May 31, 2004</b>					
<b>CHECK NO.</b>	<b>MEMO</b>	<b>PAYEE</b>	<b>AMOUNT</b>	<b>CHECK ENDORSEMENT</b>	<b>CHARGED TO</b>
1937		ABC Distributing	\$ 22.34		5450/Office Supplies
226	Christmas Presents	ABC Distributing	18.78		5036/Basic Needs Grant
3129	Gifts for volunteers	ABC Distributing	10.41		5035/Activities
298		ABC Distributing	84.13		5035/Activities
306		ABC Distributing	39.79		5035/Activities
3218		ABC Distributing	53.33		5035/Activities
331		ABC Distributing	251.37		5035/Activities
debit	State training	ATM Withdrawal	200.00		5650/Travel Expenses
debit		ATM Withdrawal	100.00		5140/Employee Training
1695		BB&T	250.00	Gail Allen	5035/Activities
1883		BB&T	250.00	None - Cashed Check	5140/Employee Training
1947		BB&T	250.00	Gail Allen	5140/Employee Training
1983	Food for parenting classes	BB&T	100.00	Gail G. Allen	5190/Parenting Project
2010	Challenger III	BB&T	100.00	Gail Allen	5035/Activities
2018	Parenting class	BB&T	100.00	Gail G. Allen	5190/Parenting Project
2029	Parenting Supplies/food	BB&T	200.00	Pamela A. Greene	5190/Parenting Project
2119		BB&T	50.00	Pam Greene	5650/Travel Expenses
2140		BB&T	350.00	Gail Allen	5650/Travel Expenses- \$150.00(Pam)/5190/Parenting Project
2199	Christmas presents for volunteers & youths	BB&T	600.00	Pam Greene	5035/Activities
2203		BB&T	466.00	See NOTE	5190/Parenting Project- \$308.86/5650/Travel expenses- \$157.14
2204	Parenting class	BB&T	250.00	None - Cashed Check	5190/Parenting Project
2290	Money for regional meeting	BB&T	200.00		5140/Employee Training
2320	For supplies	BB&T	100.00		5450/Office Supplies
2330	Petty cash	BB&T	250.00		5190/Parenting Project
2377	Cash/monies for food on employee retreat	BB&T	300.00		5140/Employee Training

**SCHDULE 1**

<b>YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.</b> <b>QUESTIONABLE CHECKS AND WITHDRAWALS</b> <b>SORTED BY PAYEE</b> <b>January 1, 2004 - May 31, 2004</b>					
<b>CHECK NO.</b>	<b>MEMO</b>	<b>PAYEE</b>	<b>AMOUNT</b>	<b>CHECK ENDORSEMENT</b>	<b>CHARGED TO</b>
239	Christmas presents for youth and families in program	BB&T	\$ 1,500.00		5036/Basic Needs Grant
245	Groceries	BB&T	150.00	None - Cashed Check	5036/Basic Needs Grant
3149	For petty cash	BB&T	250.00	YAP/Erika S. Wood	5450/Office Supplies
269	Gift card for family	Belk	30.00		5036/Basic Needs Grant
290	Buy clothes for family	Belk	160.61		5036/Basic Needs Grant
2574	Petty cash	Cash	100.00	Pam Greene	5450/Office Supplies
2659	Cash	Cash	100.00	None	5450/Office Supplies
2723	For petty cash	Cash	100.00	None - Cashed Check	5450/Office Supplies
230	Groceries for family	Cash	250.00	None - Cashed Check	5036/Basic Needs Grant
270	Cash deposit on rent	Cash	200.00	None	5036/Basic Needs Grant
3192	For petty cash boxes	Cash	200.00	None	5450/Office Supplies- \$100/5190/Parenting Project- \$100
3221	Travel expenses for conference	Cash	250.00	Pam Greene/Tristan Reynolds	5140/Employee Training
3279	Travel expenses	Cash	50.00	Tristan Reynolds	5140/Employee Training
3222	Christmas presents for families in parenting/mentor program	Cash	500.00	Pam Greene	5035/Activities
3240	Fund raiser expenses	Cash	750.00	None	6150/Fundraiser
1001		Cash Withdrawal	1,000.00		5035/Activities
2428	Facilitating parenting classes	Dan Allen	140.00		5190/Parenting Project
2445	Facilitating parenting classes	Dan Allen	209.00		5190/Parenting Project
2474	Facilitating parenting classes	Dan Allen	140.00		5190/Parenting Project
2502	Facilitating	Dan Allen	140.00		5190/Parenting Project
2506	Travel expenses	Dan Allen	50.70		5650/Travel Expense
2542	Facilitating	Dan Allen	150.00		5190/Parenting Project
2565	Facilitating	Dan Allen	275.00		5190/Parenting Project
2588	Facilitating	Dan Allen	375.00		5190/Parenting Project
2598	Facilitating	Dan Allen	300.00		5190/Parenting Project

<b>YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.</b> <b>QUESTIONABLE CHECKS AND WITHDRAWALS</b> <b>SORTED BY PAYEE</b> <b>January 1, 2004 - May 31, 2004</b>					
<b>CHECK NO.</b>	<b>MEMO</b>	<b>PAYEE</b>	<b>AMOUNT</b>	<b>CHECK ENDORSEMENT</b>	<b>CHARGED TO</b>
2652	Facilitating	Dan Allen	\$ 187.50		5190/Parenting Project
2672	Facilitating	Dan Allen	200.00		5190/Parenting Project
2685	Facilitating	Dan Allen	100.00		5190/Parenting Project
2716	Facilitating	Dan Allen	250.00		5190/Parenting Project
2748	Facilitating	Dan Allen	225.00		5190/Parenting Project
2765	Facilitating	Dan Allen	200.00		5190/Parenting Project
2788	Co-facilitating	Dan Allen	25.00		5190/Parenting Project
2816	Facilitating	Dan Allen	100.00		5190/Parenting Project
243		Dan Allen	100.00		5190/Parenting Project
2859	Facilitating parenting classes	Dan Allen	150.00		5190/Parenting Project
2878	Facilitating	Dan Allen	175.00		5190/Parenting Project
2905	Co-facilitating	Dan Allen	225.00		5190/Parenting Project
2907	Preparation for parenting class	Dan Allen	50.00		5190/Parenting Project
2927	Co-facilitating	Dan Allen	125.00		5190/Parenting Project
2954	Co-facilitating	Dan Allen	75.00		5190/Parenting Project
2972	Facilitating parenting classes	Dan Allen	225.00		5190/Parenting Project
3012	Co-facilitating	Dan Allen	150.00		5190/Parenting Project
3026	Co-facilitating	Dan Allen	150.00		5190/Parenting Project
3054	Co-facilitating	Dan Allen	275.00		5190/Parenting Project
3094	Facilitating	Dan Allen	150.00		5190/Parenting Project
3116	Facilitating	Dan Allen	200.00		5190/Parenting Project
3144	Facilitating parenting classes	Dan Allen	150.00		5190/Parenting Project
3172	Facilitating	Dan Allen	350.00		5190/Parenting Project
3154	Co-Parenting	Dan Allen	72.00		5190/Parenting Project
297	Facilitating co-parenting	Dan Allen	40.00		5190/Parenting Project
3198	Facilitating parenting classes	Dan Allen	200.00		5190/Parenting Project
300	Facilitating co-parenting	Dan Allen	112.50		5190/Parenting Project
3188	Co-facilitating	Dan Allen	130.00		5190/Parenting Project
3233	Co-facilitating	Dan Allen	90.00		5190/Parenting Project
3241	Co-Parenting	Dan Allen	100.00		5190/Parenting Project

**SCHDULE 1**

<b>YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.</b> <b>QUESTIONABLE CHECKS AND WITHDRAWALS</b> <b>SORTED BY PAYEE</b> <b>January 1, 2004 - May 31, 2004</b>					
<b>CHECK NO.</b>	<b>MEMO</b>	<b>PAYEE</b>	<b>AMOUNT</b>	<b>CHECK ENDORSEMENT</b>	<b>CHARGED TO</b>
3247	Co-facilitating	Dan Allen	\$ 317.50		5190/Parenting Project
3260	Facilitating parenting classes	Dan Allen	50.00		5190/Parenting Project
3210	Facilitating parenting classes	Dan Allen	150.00		5190/Parenting Project
3289	Co-facilitating	Dan Allen	250.00		5190/Parenting Project
3299	Co-Parenting	Dan Allen	90.00		5190/Parenting Project
3317	Co-facilitating	Dan Allen	120.00		5190/Parenting Project
3220	Co-Parenting	Dan Allen	67.50		5190/Parenting Project
3329	Co-facilitating	Dan Allen	60.00		5190/Parenting Project
329		Dan Allen	75.00		5190/Parenting Project
3357	Co-facilitating	Dan Allen	100.00		5190/Parenting Project
3399	Co-facilitating	Dan Allen	385.00		5190/Parenting Project
3416	Facilitating	Dan Allen	350.00		5190/Parenting Project
3437	Facilitating	Dan Allen	260.00		5190/Parenting Project
3442	Facilitating parenting classes	Dan Allen	100.00		5190/Parenting Project
3455	Parenting program	Dan Allen	200.00		5190/Parenting Project
3479	Parenting program	Dan Allen	218.75		5190/Parenting Project
3494	Co-facilitating	Dan Allen	300.00		5190/Parenting Project
3529	Parenting classes	Dan Allen	200.00		5190/Parenting Project
3557	Parenting classes	Dan Allen	100.00		5190/Parenting Project
3588	Parenting classes	Dan Allen	287.50		5190/Parenting Project
3590	JCPC & C2 parenting classes	Dan Allen	426.00		5190/Parenting Project
3203	Parenting project supplies and equipment	First National Bank	600.00	Pamela A. Greene	5190/Parenting Project
279	Pay bills for a client	First National Bank	500.00	None	5036/Basic Needs Grant
284	Pay bills for two families	First National Bank	500.00	None	5036/Basic Needs Grant
286	Groceries, food, & rent for families	First National Bank	600.00	None	5036/Basic Needs Grant
288	Groceries, rent childcare for family	First National Bank	500.00	None	5036/Basic Needs Grant
294	Reimburse for groceries & childcare for family	First National Bank	500.00	Tristan Reynolds	5035/Activities
3157	Basic Needs Grant Expense	First National Bank	500.00	None	5036/Basic Needs Grant

**SCHDULE 1**

<b>YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.</b> <b>QUESTIONABLE CHECKS AND WITHDRAWALS</b> <b>SORTED BY PAYEE</b> <b>January 1, 2004 - May 31, 2004</b>					
<b>CHECK NO.</b>	<b>MEMO</b>	<b>PAYEE</b>	<b>AMOUNT</b>	<b>CHECK ENDORSEMENT</b>	<b>CHARGED TO</b>
301		Joanna Damren	\$ 80.00	Joanna M. Damren	5035/Activities
220	Pay child care (stated on check)	Kids World	500.00	Kids World Day Care	5036/Basic Needs Grant
247	5 wks childcare for family	Kids World	500.00	None	5036/Basic Needs Grant
287	Childcare for family	Kids World Daycare	500.00	None	5036/Basic Needs Grant
246	2 months rent	Legrand Whaley	830.00		5036/Basic Needs Grant
1746		LTD Commodities	16.01		5450/Office Supplies
216		LTD Commodities	19.85		5039/Activities
1800		LTD Commodities	39.00		5450/Office Supplies
219	Birthday presents	LTD Commodities	132.56		5036/Basic Needs Grant
225		LTD Commodities	31.65		5036/Basic Needs Grant
234		LTD Commodities	142.59		5036/Basic Needs Grant
244	Christmas presents	LTD Commodities	80.19		5036/Basic Needs Grant
257		LTD Commodities	96.89		5035/Activities
261	Volunteer gift	LTD Commodities	17.81		5036/Basic Needs Grant
3017	Supplies	LTD Commodities	17.81		5450/Office Supplies
3072	Activities	LTD Commodities	14.30		5035/Activities
302	Youth/volunteer	LTD Commodities	125.71		5035/Activities
2032		Pam A. Greene	50.00	Pam Greene	6100/gifts
2036		Pam A. Greene	129.62		5450/Office Supplies
3194	Reimbursement for book supplies	Pam A. Greene	152.68	Pam A. Greene	5450/Office Supplies
3223	Reimbursement for clothes bought children in program	Pam A. Greene	46.00	Pam Greene	5035/Activities
3224	Party items for Christmas party for kids	Pam A. Greene	21.40	Pam Greene	5035/Activities
276	Cash for fundraiser (stated on check)	Pam Greene	100.00	Pam Greene	6150/Fundraiser
268	Food for family	Schwans	118.73		5036/Basic Needs Grant
1773	Board Lunch	Sherry Hawkins	100.00		5160/Professional Services

**SCHDULE 1**

<b>YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.</b> <b>QUESTIONABLE CHECKS AND WITHDRAWALS</b> <b>SORTED BY PAYEE</b> <b>January 1, 2004 - May 31, 2004</b>					
<b>CHECK NO.</b>	<b>MEMO</b>	<b>PAYEE</b>	<b>AMOUNT</b>	<b>CHECK ENDORSEMENT</b>	<b>CHARGED TO</b>
2328	Food	Sherry Hawkins	\$ 45.00		5035/Activities
210	Food	Sherry Hawkins	25.00		5035/Activities
260	Food	Sherry Hawkins	60.00		5035/Activities
3001	Board Meeting Cater	Sherry Hawkins	75.00		5140/Employee Training
289		Sherry Hawkins	75.00		5036/Basic Needs Grant
304		Sherry Hawkins	100.00		5035/Activities
324	Catering board meeting	Sherry Hawkins	150.00		5140/Employee Training
3394	Catering board meeting	Sherry Hawkins	200.00		5035/Activities
2544	Co-facilitating	Tregg Greene	50.00		5190/Parenting Project
2567	Facilitating	Tregg Greene	225.00		5190/Parenting Project
2590	Co-facilitating	Tregg Greene	50.00		5190/Parenting Project
2616	Co-facilitating	Tregg Greene	150.00		5190/Parenting Project
2651	Facilitating	Tregg Greene	100.00		5190/Parenting Project
2678	Facilitating	Tregg Greene	75.00		5190/Parenting Project
259	Putting furniture together	Tregg Greene	100.00		5036/Basic Needs Grant
2302	Repairs/Maintenance	Trent Greene	400.00		5960/Repairs
275	Building furniture	Trent Greene	75.00		5036/Basic Needs Grant
2008	Parenting class	Tristan G. Reynolds	56.00		5190/Parenting Project
2132		Tristan G. Reynolds	50.00		5190/Parenting Project
2354	Co-facilitating	Tristan G. Reynolds	70.00		5190/Parenting Project
2487		Tristan G. Reynolds	24.60		5035/Activities
217		Tristan G. Reynolds	60.81		5450/Office Supplies
218		Tristan G. Reynolds	114.19		5450/Office Supplies
3480	Parenting Project 8 parenting classes APC	Tristan G. Reynolds	600.00	Tristan Reynolds	5190/Parenting Project
3526	Facilitating parenting classes	Tristan G. Reynolds	225.00	Tristan Reynolds	5190/Parenting Project
3537	Parenting classes	Tristan G. Reynolds	300.00	Tristan Reynolds	5190/Parenting Project
3573	Parenting classes	Tristan G. Reynolds	475.00	Tristan Reynolds	5190/Parenting Project
3241	Cooperative Co-Parenting and ADC Classes	Tristan G. Reynolds	350.00	Tristan Reynolds	5190/Parenting Project

**SCHDULE 1**

<b>YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.</b> <b>QUESTIONABLE CHECKS AND WITHDRAWALS</b> <b>SORTED BY PAYEE</b> <b>January 1, 2004 - May 31, 2004</b>					
<b>CHECK NO.</b>	<b>MEMO</b>	<b>PAYEE</b>	<b>AMOUNT</b>	<b>CHECK ENDORSEMENT</b>	<b>CHARGED TO</b>
227	Reimbursement for groceries for family	Tristan Reynolds	\$ 150.00	For deposit only	5036/Basic Needs Grant
347		Wal-Mart	159.43		6150/Fundraiser
		Withdrawal	1,643.89		Not recorded in accounting records
		Withdrawal	1,100.00		Not recorded in accounting records
		Withdrawal	1,000.00		Not recorded in accounting records
		Withdrawal	625.35		Not recorded in accounting records
Total Questionable Checks and Withdrawals			\$37,177.78		

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**YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.  
TRISTAN REYNOLDS'S QUESTIONABLE MILEAGE  
June 1, 2003 through May 31, 2004**

\* Information provided from Cost Reports completed by Tristan Reynolds and submitted to the Division of the Governor's Crime Commission.

<b>MONTH</b>	<b>MILES REPORTED</b>	<b>RATE CLAIMED PER MILE</b>	<b>AMOUNT OF REIMBURSEMENT</b>
Jun-03	320.41	\$ 0.325	104.13
Jul-03	223.51	\$ 0.345	77.11
Aug-03	253.00	\$ 0.325	82.23
Sep-03	248.03	\$ 0.345	85.57
Oct-03	272.00	\$ 0.345	93.84
Nov-03	266.51	\$ 0.325	86.62
Dec-03	228.00	\$ 0.325	74.10
Jan-04	221.00	\$ 0.345	76.25
Feb-04	237.00	\$ 0.345	81.77
Mar-04	244.51	\$ 0.293	71.65
Apr-04	207.68	\$ 0.345	71.65
May-04	263.00	\$ 0.325	<u>85.48</u>
<b>TOTALS</b>	2,984.65		\$990.40

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**SCHEDULE 3**

**YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.  
QUESTIONABLE PURCHASES USING THE DEBIT AND CREDIT CARDS  
July 1, 2003 - May 31, 2004**

<b>BANK STATEMENT OR CREDIT CARD STATEMENT DATE</b>	<b>VENDOR</b>	<b>AMOUNT</b>	<b>ITEMS PURCHASED</b>	<b>REASON QUESTIONED</b>	<b>SUPPORTING RECEIPT FOUND</b>
03/25/04	Fatz Café	\$ 48.23	meal	Meal	Yes
04/19/04	Pilot House	54.83	meal	Meal	No
04/20/04	Hilton Wilmington	139.40		No receipt	No
04/20/04	Hilton Wilmington	69.70		No receipt	No
04/23/04	World Wide Imports	72.63		No receipt	Yes
04/15/04	Wal-Mart	52.84	superlite vac	Type of item	Yes
04/14/04	Wal-Mart	52.84	superlite vac	Type of item	Yes
04/05/04	Computer Connections	854.93		No receipt	No
04/08/04	Consistent Computer	183.95		No receipt	No
02/13/04	Office Max	148.56		No receipt	No
02/16/04	Staples	25.03		No receipt	No
02/17/04	Staples	438.69		No receipt	No
02/19/04	Wal-Mart	126.76		No receipt	No
02/19/04	Office Max	96.79		No receipt	No
12/12/03	Wal-Mart	412.36	various items	Drill kit, Christmas decorations	Yes
12/15/03	The Star	43.48		No receipt	No
12/15/03	Wal-Mart	70.18		No receipt	No
12/16/03	Office Max	326.28		No receipt	No
10/28/03	The Olive Garden	52.80	meal	Meal	No
10/29/03	Park Inn Hickory	62.16		No receipt	No
11/12/03	Blockbuster	21.39		No documentation	Yes
11/23/03	Red Lobster	28.36	meal	Meal	No
10/21/03	Applebee's	63.10	meal	Meal	No
10/22/03	Wal-Mart	163.35	various items	Toddler clothes, groceries	Yes
09/08/03	Candleshop/Bright Idea	(19.99)		No receipt	No
09/08/03	Candleshop/Bright Idea	119.94		No receipt	No

**SCHEDULE 3**

**YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.  
QUESTIONABLE PURCHASES USING THE DEBIT AND CREDIT CARDS  
July 1, 2003 - May 31, 2004**

<b>BANK STATEMENT OR CREDIT CARD STATEMENT DATE</b>	<b>VENDOR</b>	<b>AMOUNT</b>	<b>ITEMS PURCHASED</b>	<b>REASON QUESTIONED</b>	<b>SUPPORTING RECEIPT FOUND</b>
09/13/03	Sheraton Atlantic Beach	\$ 319.20		No receipt	No
09/20/03	Holiday Inn Asheville	122.10		No travel documentation	Yes
08/18/04	Victorian-Stephen	343.04		No receipt	No
07/02/03	Office Max	110.63		No receipt	No
05/28/03	Xerox	270.00		No receipt	No
05/29/03	Bath & Body Works	54.57		No receipt	No
05/29/03	Andy's Hallmark	40.11		No receipt	No
06/06/03	Office Depot	138.01		No receipt	No
06/17/03	Office Max	46.99		No receipt	No
06/20/03	Office Max	206.61		No receipt	No
05/25/03	Wal-Mart	75.19		No receipt	No
03/23/03	Wal-Mart	147.75	various items	Toddler clothes, groceries	Yes
11/14/03	ABC Distributing	53.33		No receipt	No
08/12/03	Harris Teeter	145.55		No receipt	No
07/03/03	Harris Teeter	62.00		No receipt	No
07/21/03	Wal-Mart	168.71		No receipt	No
05/07/04	Wal-Mart	25.64	phone access cards	No documentation	Yes
05/12/04	Webb Chemical & Pap	18.46		No receipt	No
05/21/04	Harris Teeter	89.40	various items	Outdoor umbrella \$59.99	Yes
05/24/04	Wal-Mart	34.97		No receipt	No
05/24/04	Wal-Mart	41.29		No receipt	No
04/02/04	World Wide Imports	53.49		No receipt	No
04/02/04	The Beeper Store	63.90		No receipt	No
04/05/04	Harris Teeter	26.61		No receipt	No
04/12/04	Sagebrush steakhouse	38.44		Meal	Yes

**SCHEDULE 3**

**YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.  
QUESTIONABLE PURCHASES USING THE DEBIT AND CREDIT CARDS  
July 1, 2003 - May 31, 2004**

<b>BANK STATEMENT OR CREDIT CARD STATEMENT DATE</b>	<b>VENDOR</b>	<b>AMOUNT</b>	<b>ITEMS PURCHASED</b>	<b>REASON QUESTIONED</b>	<b>SUPPORTING RECEIPT FOUND</b>
04/15/04	Wal-Mart	\$ 64.29	various items	Car charger, sunglasses, potty seat	Yes
04/19/04	Harris Teeter	112.55		no receipt	No
04/22/04	Wal-Mart	1.00		No receipt	No
04/22/04	Wal-Mart	208.38		No receipt	No
03/08/04	Bath & Body Works	31.57		No documentation	Yes
03/10/04	Wal-Mart	1.00		No receipt	No
03/10/04	Wal-Mart	282.77		No receipt	No
03/10/04	Harris Teeter	25.13	various food items	No documentation	Yes
03/11/04	Harris Teeter	1.00		No receipt	No
03/11/04	Harris Teeter	109.92		No receipt	No
03/17/04	The Star	39.94		No receipt	No
03/22/04	Fatz Café	20.00	gift card	No documentation	Yes
03/22/04	Harris Teeter	38.53	estroven/cube steak	Type of items	Yes
02/02/04	Sherwin Williams	25.66		No receipt	No
02/04/04	Sherwin Williams	10.26		No receipt	No
02/04/04	Cleveland Community	64.20		No receipt	No
02/09/04	Harris Teeter	50.92		No receipt	No
02/13/04	Harris Teeter	92.81		No receipt	No
02/26/04	Village Mart	29.01		No receipt	No
02/26/04	Yamato Express	30.97		Meal	Yes
01/08/04	Lowes	42.30		No receipt	No
01/12/04	Office Max	150.75		No receipt	No
01/14/04	Amoco Oil	20.00		No receipt	No
01/14/04	Cleveland Community College	98.07		No receipt	No
01/14/04	Cleveland Community College	223.00		No receipt	No

**SCHEDULE 3**

**YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.  
QUESTIONABLE PURCHASES USING THE DEBIT AND CREDIT CARDS  
July 1, 2003 - May 31, 2004**

<b>BANK STATEMENT OR CREDIT CARD STATEMENT DATE</b>	<b>VENDOR</b>	<b>AMOUNT</b>	<b>ITEMS PURCHASED</b>	<b>REASON QUESTIONED</b>	<b>SUPPORTING RECEIPT FOUND</b>
01/15/04	Cleveland Community College	\$ 151.00		No receipt	No
01/15/04	Cleveland Community College	153.02		No receipt	No
01/26/04	Wal-Mart	123.29		No receipt	No
01/30/04	Harris Teeter	21.40		No receipt	No
01/30/04	Harris Teeter	26.92		No receipt	No
01/30/04	Harris Teeter	32.08		No receipt	No
12/01/03	Amoco Oil	23.00		No receipt	No
12/03/03	Amoco Oil	8.55		No receipt	No
12/04/03	Amoco Oil	7.35		No receipt	No
12/04/03	Harris Teeter	91.50		No receipt	No
12/05/03	Eckerd Drugs	10.00		No receipt	No
12/08/03	Amoco Oil	20.02		No receipt	No
12/10/03	Circle P Food Mart	6.84		No receipt	No
12/19/03	Village Mart	14.39		No receipt	No
12/19/03	Wal-Mart	594.78	various items	Clothing, DVD, disc players, bike	Yes
12/22/03	Harris Teeter	101.58		No receipt	No
12/29/03	Wal-Mart	3.76	woolite	Type of items	Yes
12/29/03	Wal-Mart	14.24	pull-ups	Type of items	Yes
12/31/03	Harris Teeter	1.00		No receipt	No
12/31/03	Harris Teeter	59.55		No receipt	No
11/20/03	Wal-Mart	81.47		No receipt	No
11/21/03	Village Mart	25.00		No receipt	No
11/24/03	Circle P Food Mart	8.60		No receipt	No
11/24/03	Harris Teeter	64.22		No receipt	No
11/25/03	Harris Teeter	37.54		No receipt	No
11/28/03	Pizza Hut	42.32	meal	No receipt	No

**SCHEDULE 3**

**YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY, INC.  
QUESTIONABLE PURCHASES USING THE DEBIT AND CREDIT CARDS  
July 1, 2003 - May 31, 2004**

<b>BANK STATEMENT OR CREDIT CARD STATEMENT DATE</b>	<b>VENDOR</b>	<b>AMOUNT</b>	<b>ITEMS PURCHASED</b>	<b>REASON QUESTIONED</b>	<b>SUPPORTING RECEIPT FOUND</b>
10/01/03	Harris Teeter	\$ 19.01		No receipt	No
10/15/03	Harris Teeter	4.50	magazine	Type of items	Yes
10/15/03	Harris Teeter	4.69	cat food	Type of items	Yes
10/17/04	Wal-Mart	3.60		No receipt	No
10/27/03	Wal-Mart	109.81		No receipt	No
09/02/03	S&M Sport Shop	24.07		No receipt	No
09/02/03	Italian Garden Restaurant	48.42	meal		Yes
09/03/03	Harris Teeter	1.00		No receipt	No
09/03/03	Harris Teeter	11.80		No receipt	No
09/03/03	Kerr Drugs	1.00		No receipt	No
09/03/03	Kerr Drugs	7.90		No receipt	No
09/04/03	Wal-Mart	1.00		No receipt	No
09/04/03	Wal-Mart	126.78		No receipt	No
09/23/03	Bilo	96.18		No receipt	No
09/25/03	Harris Teeter	9.10		No receipt	No
09/30/03	Amoco Oil	26.50		No receipt	No
08/18/03	Wal-Mart	1.00		No receipt	No
08/18/03	Wal-Mart	107.70		No receipt	No
08/22/03	Harris Teeter	1.00		No receipt	No
08/22/03	Harris Teeter	28.67		No receipt	No
08/28/03	Harris Teeter	1.00		No receipt	No
08/28/03	Harris Teeter	26.72		No receipt	No
08/28/03	Kerr Drugs	1.00		No receipt	No
08/28/03	Kerr Drugs	32.99		No receipt	No
08/29/03	Wal-Mart	227.22		No receipt	No
Total Questionable Expenses Incurred					
Through Debit Card and Credit Card Purchases		\$ 10,824.69			

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**RESPONSE FROM THE CHAIRMAN OF THE YOUTH ASSISTANT PROGRAM OF CLEVELAND COUNTY, INC.**



**Youth Assistance Program of Cleveland County, Inc.**

Post Office Box 2705  
425-C Cherryville Road · Shelby, NC 28150  
Ph: (704) 482-2315 Fax: (704) 482-3144

December 7, 2004

Dear Sir/Madam:

Please accept this correspondence on behalf of the Youth Assistance Program Board of Directors in response to the state audit that was received on November 23, 2004. We would like to take this opportunity to thank your office for the audit of the agency. As a volunteer board, we did not have the knowledge or resources to conduct our own investigation.

The Youth Assistance Program Board of Directors was made aware of the state audit of the agency in June of 2004. Since that time, the board has awaited the audit report detailing the state's findings relating to the Youth Assistance Program of Cleveland County, Inc.

Prior to the release of the audit, the board took corrective action on items discovered during our own review, including but not limited to:

- Amending the personnel policy to avoid conflicts of interest;
- Implementing more stringent operational accounting procedures including dual signatures on all checks;
- Updating mentor/match files to accurately reflect current caseload for the North Carolina Governor's One-on-One program.

Although we regret these circumstances, the board has voted to dissolve the Youth Assistance Program charter and hopes that the agency programs may be able to continue under other organizations in our community. We are also hopeful that local and state officials will pursue restitution from personnel who have admitted misappropriation of agency funds. In addition, per the recommendation of the audit, the Youth Assistance Program Board of Directors has retained legal counsel to assist us in this matter. Please do not hesitate to contact me if you have additional questions.

Sincerely,

Matt Walton  
YAP Board Chairman

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**RESPONSE FROM THE NORTH CAROLINA DEPARTMENT OF CRIME CONTROL AND  
PUBLIC SAFETY**



**North Carolina Department of Crime Control and Public Safety**

Michael F. Easley, Governor

Bryan E. Beatty, Secretary

December 9, 2004

The Honorable Ralph Campbell, Jr.  
State Auditor  
20601 Mail Service Center  
Raleigh, NC 27699-0601

Dear Mr. Campbell:

Thank you for allowing the Department of Crime Control and Public Safety to respond to the findings presented by the Office of the State Auditor in the Special Review of the Youth Assistance Program (YAP) of Cleveland County, Inc. Parents and Youth Skills (PAYS) Nurturing Program is a subordinate program, operated under the management of the YAP and funded through a grant by the Governor's Crime Commission (GCC), a division of the Department of Crime Control and Public Safety. This grant to Cleveland County ended June 30, 2004.

Audit finding **Number 4** concluded that the Executive Director's daughter, employed as the education coordinator, falsified mileage reports and submitted duplicate expense receipts in different months for reimbursement.

Grant managers of this program have relied on the project director to accurately report expenses and mileage submitted for reimbursement. The YAP Executive Director's signature on each mileage report was accepted to certify that the mileage reported was reviewed and approved by her. GCC grant managers will be required to more carefully review and verify documents for reimbursement and to withhold grantee reimbursements until proper documentation, including itemized receipts, is received from grantees.

Audit finding **Number 4** also concluded that the Project Director's daughter received payment in addition to her regular salary for various services allegedly provided. This additional compensation is in violation of grant guidelines. The Governor's Crime Commission will seek reimbursement from YAP and or Cleveland County for any duplicate or unallowable expenses paid.

Audit finding **Number 5** revealed the Project Director violated the Governor's Crime Commission's grant agreement by hiring her daughter as an education coordinator. The daughter was not qualified for the position and received compensation for classes she did not teach. Further, this finding detailed that the daughter paid for

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Raleigh, NC 27604-115  
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The Honorable Ralph A. Campbell  
December 9, 2004  
Page Two

personal items with YAP funds, falsified mileage reports and received YAP checks for personal use. The checks were authorized by the project director.

The Governor's Crime Commission's conflict of interest policy is explained during Grant Award Workshops and each grantee is provided with a copy of the policy as a part of their grant award packet. The conflict of interest policy, consistent with federal guidelines, prohibits among other things, the hiring of relatives when those relatives are paid with federal grant funds. In this case, the Director and his daughter had different last names, thereby giving no indication to the GCC grant manager of their relationship.

Currently, grant managers obtain job descriptions from project directors for positions to be filled pursuant to grant conditions. A resume or application for all persons hired under future grants will be submitted to GCC as part of the grant manager's information file.

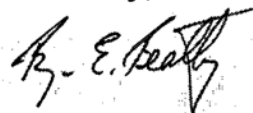
Audit finding **Number 6** concluded that cost reports submitted to the GCC Division were not monitored adequately. This finding resulted from the observation that at least one receipt was presented twice for payment; falsified mileage reports were submitted and paid; reimbursement was made for unallowable expenses; and credit card statements were submitted rather than itemized receipts.

GCC grant managers will closely monitor cost reports in order to ensure proper documentation and fund disbursement. Once the total unallowable cost for this grant has been ascertained, GCC will seek repayment from the Youth Assistant Program or from Cleveland County, the grantee.

Thank you for the opportunity to present this response. Care shall be taken to monitor future grants more carefully, to verify compliance with relevant fiscal, managerial and operational guidelines and to maintain more productive staff/grantee contact.

Your staff's cooperation and professionalism continues to be appreciated.

Sincerely,



Bryan E. Beatty  
Secretary

BEB:mbf

**RESPONSE FROM THE STATE OF NORTH CAROLINA DEPARTMENT OF JUVENILE  
JUSTICE AND DELINQUENCY PREVENTION**



**STATE OF NORTH CAROLINA  
DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION  
1801 MAIL SERVICE CENTER  
RALEIGH, NORTH CAROLINA 27699-1801  
TELEPHONE: (919) 733-3388**

Michael F. Easley  
Governor

George L. Sweat  
Secretary

December 9, 2004

Mr. Ralph Campbell, Jr.  
State Auditor  
Office of the State Auditor  
2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601

Dear Mr. Campbell:

Thank you for the opportunity to review and comment on your report concerning the Cleveland County Youth Assistance Program, Inc. located in Shelby, North Carolina. We are taking the following actions to address your findings: 1) emphasizing adherence to Governor's One on One Program standards by reviewing our monitoring program as well as our policies and procedures; 2) pursuing an additional auditor position to audit 501-C3's like the Governor's One on One Program; and 3) ceasing funding to the Youth Assistance Program and auditing for potential reimbursement of misspent State funds. With the recent addition of section N.C.G.S § 143-6.2, the Department will lay the groundwork needed to hold these organizations accountable for the spending of State funds.

Our comments and responses follow this letter and identify the Department's response to the audit's conclusions, findings and recommendations. Your review highlights areas we must improve upon, including the need for in-depth monitoring and accountability for programs receiving State funds.

Please communicate my sincere appreciation to your staff for their help in compiling the information detailed in the report. The information will be used as a tool as we implement the changes to our monitoring program.

Sincerely,

A handwritten signature in cursive script that reads "George L. Sweat".

George L. Sweat  
Secretary

*Physical Location: 410 S. Salisbury Street • Raleigh, North Carolina  
STATE COURIER NO. 56-20-08*

**FINDING 1:**

**THE YOUTH ASSISTANCE PROGRAM REPORTED INFLATED RESULTS TO THE GOVERNOR'S ONE ON ONE VOLUNTEER PROGRAM.**

**AGENCY RESPONSE:**

Concur.

**FINDING 2:**

**THE DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION GOVERNOR'S ONE ON ONE VOLUNTEER PROGRAM FAILED TO MONITOR THE YOUTH ASSISTANCE PROGRAM OF CLEVELAND COUNTY.**

**AGENCY RESPONSE:**

Concur with qualification.

The Department does establish a yearly monitoring list for its programs. Based on the monitoring visit in the 1998-99 fiscal year, the program met the key initiatives based on the Department's standards. Due to staffing issues the program was not monitored. In 2002, the Department revised its monitoring program and Youth Assistance Program of Cleveland County was scheduled for review again in 2005.

**FINDING 3**

**THE EXECUTIVE DIRECTOR CONTRACTED WITH FAMILY MEMBERS THAT DID NOT MEET THE EDUCATIONAL REQUIREMENTS AS DESCRIBED IN THE PROGRAM AGREEMENT.**

**AGENCY RESPONSE:**

Concur. We agree that staff should have the necessary qualifications. However, the Department potentially would allow agreements to be amended with local and state approval if one of the facilitator did not have a college degree.

**FINDING 9:**

**THE EXECUTIVE DIRECTOR HIRED, CONTRACTED AND SUPERVISED SEVERAL FAMILY MEMBERS CREATING THE APPEARANCE OF A CONFLICT OF INTEREST.**

**AGENCY RESPONSE:**

Concur. The Department has determined that the current conflict of interest statement needs to be reviewed and strengthened.

## **FINDING 10**

### **GRANTS FUNDS WERE RECEIVED FOR POSITIONS THAT DID NOT EXIST.**

#### **AGENCY RESPONSE:**

The Department's review of the monthly-required reports submitted for reimbursement by the Youth Assistance Program in Cleveland County do not confirm or refute this conclusion

## **FINDING 11:**

### **THE YOUTH ASSISTANCE PROGRAM LACKED INTERNAL CONTROLS PROCEDURES AND BOARD INVOLVEMENT. IN ADDITION, YAP VIOLATED ITS OWN POLICIES AS STATED IN THE PERSONNEL REGULATIONS.**

#### **AGENCY RESPONSE:**

Concur.

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In accordance with General Statutes 147-64.5 and 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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Mr. Robert L. Powell	State Controller
Mr. George L. Sweat	Secretary, The North Carolina Department of Juvenile Justice and Delinquency Prevention
Mr. Bryan E. Beatty	Secretary, The North Carolina Department of Crime Control and Public Safety

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Representative Richard Morgan	Speaker of the NC House of Representatives
Representative Debbie Clary	
Members of the Local Legislative Delegation	NC House and Senate
Mr. James D. Johnson	Director, Fiscal Research Division

### **OTHER PARTIES**

Mr. David C. Dear	Manager, Cleveland County
Mr. William C. Young	District Attorney for the 27B Prosecutorial District
Ms. Robin Pendergraft	Director, North Carolina State Bureau of Investigation
Mr. John E. Young	Chairman of the Board, United Way of Cleveland County

December 16, 2004

## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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