



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF STANLY COUNTY PARTNERSHIP FOR CHILDREN

ALBEMARLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

STANLY COUNTY PARTNERSHIP FOR CHILDREN

ALBEMARLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

BOARD OF DIRECTORS

BETH OLIVIERI, CHAIRMAN

ADMINISTRATIVE OFFICER

TIM MOOSE, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

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Office of the State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Directors, Stanly County Partnership for Children

This report presents the results of our financial statement audit of the Stanly County Partnership for Children (Stanly Partnership) for the year ended June 30, 2001. Our audit was made by authority of Article 5A of G.S. §147.

The accounts and operations of the Stanly Partnership were subject to audit procedures as we considered necessary for us to report on the accompanying financial statements and supplementary information. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The audit of the Stanly Partnership was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-.16. This statute created the North Carolina Partnership for Children, Inc. and required the implementation of local demonstration projects (local partnerships). The Stanly Partnership is one of these local partnerships. As such, the Stanly Partnership is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14(b) to have an annual financial and compliance audit conducted by the State Auditor.

The purpose of this report is to present the results of our audit on the accompanying financial statements. A summary of our reporting objectives and audit results are:

- 1. Objective** - Express an opinion on the accompanying financial statements and supplementary information.

Results – The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with the regulatory basis of accounting established by the North Carolina Partnership for Children, Inc. The accompanying supplementary information presents information that is fairly stated in all material respects in relation to the basic financial statements.

AUDITOR'S TRANSMITTAL (CONCLUDED)

2. **Objective** - Present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

Results - The following instance of noncompliance was detected:

Finding

2. Competitive Bidding

This matter is described in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting and the Audit Findings and Recommendations section of this report.

3. **Objective** - Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Stanly Partnership's ability to record, process, summarize, and report financial data in the financial statement.

Results - The following significant deficiency was detected in internal control over financial reporting:

Finding

1. Contract Management and Monitoring

This matter is described in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting and the Audit Findings and Recommendations section of this report.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Ralph Campbell, Jr.
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stanly County Partnership for Children
Albemarle, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Stanly County Partnership for Children (Stanly Partnership) as of June 30, 2001, and the related Statement of Functional Expenditures – Regulatory Basis for the year then ended. These financial statements are the responsibility of the Stanly Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements were prepared on the regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc., which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Stanly County Partnership for Children as of June 30, 2001, and the results of its operations for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2002 on our consideration of the Stanly Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Stanly County Partnership for Children taken as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management of the partnership, the North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be, and should not be, used by anyone other than these specified parties.



Ralph Campbell, Jr.
State Auditor

June 21, 2002

Stanly County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis
For the Year Ended June 30, 2001

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards (less refunds of \$80,716)	\$ 1,608,566	\$ 0	\$ 0	\$ 1,608,566
Special Fund Raising Events		41		41
Interest and Investment Earnings		15,560		15,560
Sales Tax Refunds		1,929		1,929
Other Receipts	4	7,941		7,945
Total Receipts	1,608,570	25,471		1,634,041
Expenditures:				
Programs:				
Child Care and Education Quality	393,158	8,979		402,137
Child Care and Education Accessibility and Availability	146,119	7,294		153,413
Child Care and Education Affordability	324,763	6,332		331,095
Health and Safety	205,338	961		206,299
Family Support	443,619	7,343		450,962
Support:				
Management and General	192,148	(1,649)		190,499
Program Evaluation	25,000			25,000
Other:				
Sales Tax Paid		6,971		6,971
Total Expenditures	1,730,145	36,231		1,766,376
Excess of Receipts Over Expenditures	(121,575)	(10,760)		(132,335)
Net Assets at Beginning of Year	123,280	87,209	2,840	213,329
Restatement (Note 9)	60,000	(60,000)		
Net Assets at Beginning of Year After Restatement	183,280	27,209	2,840	213,329
Net Assets at End of Year	\$ 61,705	\$ 16,449	\$ 2,840	\$ 80,994
Net Assets Consisted of:				
Petty Cash	\$ 0	\$ 200	\$ 0	\$ 200
Cash on Deposit	57,402	16,249	2,840	76,491
Refunds Due From Contractors	4,303			4,303
	\$ 61,705	\$ 16,449	\$ 2,840	\$ 80,994

The accompanying notes to the financial statement are an integral part of this statement.

**Stanly County Partnership for Children
 Schedule of Functional Expenditures - Regulatory Basis
 For the Year Ended June 30, 2001**

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenses	Fixed Charges and Other Expenses	Property and Equipment Outlay	Services/Contracts/Grants	Participant Training Expense
Smart Start Fund:									
Programs:									
Child Care and Education Quality	393,158	72,770	1,272	16,675	24,377	8,917	6,059	263,088	0
Child Care and Education Accessibility and Availability	146,119	102,616	2,815	3,738	2,561	21,144	13,245		
Child Care and Education Affordability	324,763			345				324,418	
Health and Safety	205,338				5,940			199,398	
Family Support	443,619	53,242	1,477	1,929	6,644	7,079		373,248	
	1,512,997	228,628	5,564	22,687	39,522	37,140	19,304	1,160,152	0
Support:									
Management and General	192,148	134,707	4,410	5,993	31,876	11,928	3,234		
Program Evaluation	25,000		25,000						
	217,148	134,707	29,410	5,993	31,876	11,928	3,234	0	0
Total Smart Start Fund Expenditures	1,730,145	363,335	34,974	28,680	71,398	49,068	22,538	1,160,152	0
Other Funds:									
Programs:									
Child Care and Education Quality	8,979			369	2,703		5,907		
Child Care and Education Accessibility and Availability	7,294		150	173			6,971		
Child Care and Education Affordability	6,332			17			960	5,355	
Health and Safety	961						961		
Family Support	7,343			1,427	1,780		4,136		
	30,909	0	150	1,986	4,483	0	18,935	5,355	0
Support:									
Management and General	(1,649)	0	0	(2,851)	1,202	0	0	0	0
Other:									
Sales Tax Paid	6,971	0	0	6,971	0	0	0	0	0
Total Other Funds Expenditures	36,231	0	150	6,106	5,685	0	18,935	5,355	0

STANLY COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Stanly County Partnership for Children (Stanly Partnership) is a legally separate nonprofit organization incorporated on November 23, 1993. The Stanly Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Stanly Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.
- B. Basis of Presentation** - The accompanying financial statements present all funds for which the Stanly Partnership's Board of Directors is responsible. In accordance with Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-For-Profit Organizations," the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this Statement, temporarily restricted contributions received and expended in the same year are reported as unrestricted receipts rather than as temporarily restricted receipts.

Contributions that are temporarily restricted and not expended within the year received are reported as an increase in temporarily restricted net assets. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of receipts, expenditures, and net assets as net assets released from restrictions.

The Stanly Partnership did not have any permanently restricted net assets at June 30, 2001.

- C. Basis of Accounting** - The accompanying financial statements were prepared on the regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc. This basis differs from generally accepted accounting principles primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

However, unexpended advances to contractors that revert back to the State are recognized as a reduction to expenditures and an increase to net assets.

D. Refunds Due From Contractors - Refunds due from contractors represent the unexpended amount of advances to contractors at year end which are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the state awards balance.

E. Use of Estimates - The financial statements include estimates and assumptions made by management for the allocation of joint costs. It is management's belief that these estimates are reasonable and fair.

NOTE 2 - DEPOSITS

All funds of the Stanly Partnership are deposited with one commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Stanly Partnership to a concentration of credit risk.

In addition, the Stanly Partnership has an Automated Investment Plan to invest excess balances over an established target amount. A minimum balance of \$25,000 must be maintained for this account through any combination of investments. The Stanly Partnership has selected an FDIC Insured option for its investments.

NOTE 3 - FUNDING FROM GRANT AWARDS

Smart Start Program - The Stanly Partnership's major source of revenue and support is from the State of North Carolina based on cost-reimbursement contracts with the North Carolina Partnership for Children, Inc. (NCPC) for the Smart Start Program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of the Stanly Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Stanly Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area. During the year, the Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Stanly Partnership.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

These service provider contracts are not reflected on the accompanying financial statement. However, a summary of the service provider contracts entered into by DHHS are presented on Schedule 2 accompanying the financial statements.

The Stanly Partnership was awarded and has received \$1,689,282 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Partnership has returned \$17,926 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2001.

The Partnership expects to receive continued funding through new Smart Start contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Stanly Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Stanly Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the Partnership's Smart Start Allocation.

NOTE 5 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets – Regulatory Basis. Also, the Statement of Functional Expenditures – Regulatory Basis provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

A. Program Functions

Child Care and Education Quality - Used to account for service activities including quality enhancement grants, child care resource and referral, salary supplements, provider training, child care provider support, or resources and materials.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

Child Care and Education Accessibility and Availability - Used to account for service activities associated with information and resources.

Child Care and Education Affordability - Used to account for service activities including public preschool classes, supplements for quality, or cooperative play groups.

Health and Safety - Used to account for service activities including dental treatments, comprehensive health screenings, outreach nurses, comprehensive health support, outreach materials, or school readiness/developmental screenings.

Family Support - Used to account for service activities including family resource centers, parenting education, teen parent/child programs, family crisis intervention, transportation services, information and resources, drop-in part day child care programs, or school readiness programs.

B. Support Functions

Management and General - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

Program Evaluation - Expenditures that are incurred to monitor the performance of service providers as to the delivery of services and adherence to the specific terms and conditions of the contracts.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Allocated based on employee time reports.

Other Costs - Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were allocated based on utilization data.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Leases - The following is a schedule by years of future minimum rental payments required under leases that have noncancelable lease terms as of June 30, 2001:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2002	\$ 60,387
2003	<u>15,085</u>
Total Minimum Lease Payments	<u>\$ 75,472</u>

Total rental expenditure for all operating leases was \$52,609 for the year ended June 30, 2001.

NOTE 7 - PENSION PLAN

IRC Section 401(k) – The Stanly Partnership has an IRC Section 401(k) Plan. The cost of administering the Plan is shared by the Partnership and the Plan participants. The administrative costs paid by the Partnership for the 2001 fiscal year was \$1,692. Administrative costs are paid by the participants from the participant's individual accounts. Employees may make voluntary contributions to the Plan. The Partnership makes a matching contribution equal to 50% of the first 6% of the employees' contribution. In addition, the Partnership makes an employer base contribution of 1% of compensation that is shared by all eligible employees. This employer-based contribution occurs regardless to the amount of elective deferrals made by the employees. The Stanly Partnership contributed \$3,860, including both the employer base and match contribution, for the year ended June 30, 2001. The voluntary contributions by employees amounted to \$6,070.

NOTE 8 - RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2001 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Computer Training	<u>\$ 2,840</u>

NOTES TO THE FINANCIAL STATEMENT (CONCLUDED)

NOTE 9 - RESTATEMENT OF NET ASSETS

During a prior year, the Stanly Partnership recorded a refund of a Smart Start grant as unrestricted other funds in error. As a result, the net assets in the accompanying financial statements have been restated to correct this misclassification as follows:

	Net Assets Previously Reported	Net Effect of Prior Year Misclassification	July 1, 2000 Net Assets Restated
Smart Start:			
Cash on Deposit	\$ 114,674	\$ 60,000	\$ 174,674
Refunds Due From Contractors	8,606		8,606
Total Smart Start Net Assets	\$ 123,280	\$ 60,000	\$ 183,280
Unrestricted Other:			
Petty Cash	\$ 200	\$	\$ 200
Cash on Deposit	87,009	(60,000)	27,009
Total Unrestricted Other Net Assets	\$ 87,209	\$ (60,000)	\$ 27,209

**Stanly County Partnership for Children
Schedule of Contract and Grant Expenditures - Regulatory Basis
For the Year Ended June 30, 2001**

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
ARC Services, Inc.	54,999	(1,074)		
Bethany Center	1,715			
Bright Beginnings	16,337			
Greenwood Center	13,458			
Kiddie Kare Day Care	37,320			
Little Friends	20,538			
Love-N-Care	52,622			
NC Cooperative Extension of Stanly County	155,385	(1,697)		
Piedmont Behavioral Healthcare - Stanly County	37,470	(579)		
Precious Moments	12,991			
Quality Child Care	64,847			
Richfield Child Development	42,835			
Stanly Community Christian Ministry, Inc.	5,951	(121)		
Stanly County Board of Education	121,808			
Stanly County Health Department	142,407	(832)		
Stanly County Transportation	194			
Stanly Manor Child Development	16,312			
Susie's Friends Day Care	12,194			
The Playhouse Day Care	12,660			
Tiny Tears Nursery	16,557			
Various Day Cares	75,764		5,355	
	914,364	(4,303)	5,355	0
Individuals:				
Educational/Service Incentive	77,491			
Support For Families Program	172,600			
	250,091	0	0	0
	1,164,455	(4,303)	5,355	0

* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.

Stanly County Partnership for Children
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2001

Schedule 2

Organization Name		DHHS Contracts	
Stanly County Department of Social Services	*	541,298	
* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.			
The information on this schedule provides a listing of service provider contracts entered into by the Department of Health and Human Services (DHHS) as described in Note 3 - Funding From Grant Awards.			

**Stanly County Partnership for Children
 Schedule of State Awards - Regulatory Basis
 For the Year Ended June 30, 2001**

Schedule 3

State Grantor/Pass-through Grantor/Program	Contract #	Receipts	Expenditures
State Awards:			
North Carolina Department of Health and Human Services			
Division of Child Development			
Pass-through from the North Carolina Partnership for Children, Inc.			
Early Childhood Initiatives Program (Prior Years)	Various	\$ (80,716)	\$ 58,789
Early Childhood Initiatives Program (Current Year)	* 1-01--1-12-001	1,689,282	1,671,356
Total State Awards		\$ 1,608,566	\$ 1,730,145
* Programs with compliance requirements that have a direct and material effect on the financial statement.			

Stanly County Partnership for Children
Schedule of Property and Equipment
For the Year Ended June 30, 2001

Schedule 4

	Furniture and Non-Computer Equipment	\$	77,007	
	Computer Equipment/Printers		80,258	
	Buildings		289,814	
	Leasehold Improvements		300,621	
	Motor Vehicles		15,959	
	Total Property and Equipment	\$	763,659	
	Note:			
	The information on this schedule provides a summary of property and equipment with			
	acquisition or donated cost of \$500 or more which were held by the Partnership at year end.			
	On the regulatory basis of accounting, these items are expensed in the year purchased.			

**Stanly County Partnership for Children
 Schedule of Qualifying Match (Non-GAAP)
 For the Year Ended June 30, 2001**

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 18,337
In-Kind Goods and Services	9,789
	\$ 28,126

Match Provided at the Contractor Level:

Cash	\$ 146,428
In-Kind Goods and Services	124,742
	\$ 271,170

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 1999-237, Section 11.48(l). The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles.

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Ralph Campbell, Jr.
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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Stanly County Partnership for Children
Albemarle, North Carolina

We have audited the financial statements of the Stanly County Partnership for Children (Stanly Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated June 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Stanly Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests, which are reported in the Audit Findings and Recommendations section of this report, disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Finding

2. Competitive Bidding

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Stanly Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves a matter coming to our attention relating to a significant deficiency in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Stanly Partnership's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition noted as a result of our audit is described in the Audit Findings and Recommendations section of this report:

Finding

1. Contract Management and Monitoring

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of the management of the partnership, the North Carolina Partnership for Children, the Governor, and the General Assembly and is not intended to be, and should not be, used by anyone other than these specified parties.



Ralph Campbell, Jr.
State Auditor

June 21, 2002

AUDIT FINDINGS AND RECOMMENDATIONS

Matters Related to Financial Reporting

Current Year Findings and Recommendations - The following findings and recommendations were identified during the current audit and represent significant deficiencies in internal control or noncompliance with laws, regulations, contracts, or grants.

1. CONTRACT MANAGEMENT AND MONITORING

We identified deficiencies in the contract management and monitoring system of the Stanly County Partnership for Children that included the following:

- There were no written contract management and monitoring procedures.
- Adjustments were necessary to correct the presentation for contract and grant activities between financial statement columns.
- Documentation to support programmatic monitoring activities was limited or needed improvement.

The achievement of the Partnership's goals is dependent on the effectiveness of its contract management system and its monitoring of contractor performance.

Recommendation: We recommend that the Partnership develop and implement contract management and monitoring policies and procedures. These procedures should address the documentation of programmatic monitoring activities and the verification that payments are made in accordance with established criteria.

Partnership's Response:

- Written contract management and monitoring procedures will be completed. Program and fiscal monitoring policies and procedures for Stanly County Partnership for Children were developed and approved by the Board of Directors in December 2001.
- Adjustments to correct the presentation for contract and grant activities between financial statement columns have been made and approved.
- Plans have been implemented to ensure that programmatic monitoring of all activities is properly documented and available for review. Policies and procedures will address the documentation of programmatic monitoring activities and the verification that payments are made in accordance with established criteria.

AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)

2. COMPETITIVE BIDDING

We noted instances where documentation was not available to support compliance with the competitive bidding requirements for the purchase of goods and services.

Recommendation: We recommend that the Stanly Partnership maintain documentation to support compliance with the legislatively mandated bid requirements.

Partnership's Response: Documentation to support compliance with legislatively mandated bid requirements will be maintained for the purchase of goods and services. Stanly County Partnership for Children's policies and procedures regarding bidding will reflect compliance with competitive bidding requirements on contract amounts for goods and services according to NC law.

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In accordance with G.S. § 147-64.5 and G.S. § 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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August 21, 2002

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