

# **STATE OF NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**DUPLIN COUNTY PARTNERSHIP FOR CHILDREN**

**KENANSVILLE, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2001**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**DUPLIN COUNTY PARTNERSHIP FOR CHILDREN**

**KENANSVILLE, NORTH CAROLINA**

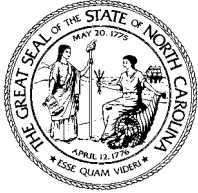
**FOR THE YEAR ENDED JUNE 30, 2001**

**BOARD OF DIRECTORS**

**KIRK CRISMAN, CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**CECIL W. BEAMAN, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

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**AUDITOR'S TRANSMITTAL**

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

This report presents the results of our financial statement audit of the Duplin County Partnership for Children (Duplin 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 Duplin 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 Duplin 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 Duplin Partnership is one of these local partnerships. As such, the Duplin 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)

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

**Results** - Our tests disclosed no instances of noncompliance which require disclosure herein under *Government Auditing Standards*.

3. **Objective** - Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Duplin 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**

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.

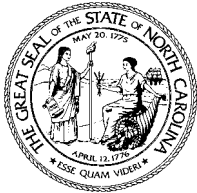


Ralph Campbell, Jr.  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Duplin County Partnership for Children  
Kenansville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Duplin County Partnership for Children (Duplin 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 Duplin 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 Duplin 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 October 12, 2001 on our consideration of the Duplin 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)

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Our audit was made for the purpose of forming an opinion on the basic financial statements of the Duplin 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.

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

Ralph Campbell, Jr.  
State Auditor

October 12, 2001

**Duplin 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		
<b>Receipts:</b>				
State Awards (less refunds of \$122,831)	\$ 1,304,663	\$ 11,997	\$ 0	\$ 1,316,660
Federal Awards		27,601		27,601
Private Contributions		6,859	3,381	10,240
Interest and Investment Earnings		12,850		12,850
Sales Tax Refunds		7,825		7,825
Other Receipts	96	7,895		7,991
<b>Total Receipts</b>	<b>1,304,759</b>	<b>75,027</b>	<b>3,381</b>	<b>1,383,167</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	419,755	49,156		468,911
Child Care and Education Accessibility and Availability	44,120			44,120
Child Care and Education Affordability	323,564	303		323,867
Health and Safety	243,111			243,111
Family Support	147,265	285		147,550
Support:				
Management and General	166,117	12,000		178,117
Program Evaluation	41,917			41,917
Program Coordination	29,200	236		29,436
Other:				
Sales Tax Paid	29	4,798		4,827
<b>Total Expenditures</b>	<b>1,415,078</b>	<b>66,778</b>		<b>1,481,856</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(110,319)</b>	<b>8,249</b>	<b>3,381</b>	<b>(98,689)</b>
<b>Net Assets at Beginning of Year</b>	<b>132,523</b>	<b>13,448</b>	<b>50,000</b>	<b>195,971</b>
<b>Net Assets at End of Year</b>	<b>\$ 22,204</b>	<b>\$ 21,697</b>	<b>\$ 53,381</b>	<b>\$ 97,282</b>
<b>Net Assets Consisted of:</b>				
Petty Cash	\$ 136	\$ 220	\$ 0	\$ 356
Cash on Deposit	16,571	21,559	53,381	91,511
Refunds Due From Contractors	6,376			6,376
	23,083	21,779	53,381	98,243
Less: Funds Held for Others	879	82		961
	<b>\$ 22,204</b>	<b>\$ 21,697</b>	<b>\$ 53,381</b>	<b>\$ 97,282</b>

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



**Duplin 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
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Quality	419,755	104,921	14,514	5,664	18,850	17,254	2,786	255,198	568
Child Care and Education Accessibility and Availability	44,120							44,120	
Child Care and Education Affordability	323,564							323,564	
Health and Safety	243,111		843	2,803				239,465	
Family Support	147,265	43,202	3,329	12,418	5,003	16,170	2,203	64,940	
	1,177,815	148,123	18,686	20,885	23,853	33,424	4,989	927,287	568
<b>Support:</b>									
Management and General	166,117	96,015	27,433	6,527	16,054	11,301	8,343	444	
Program Evaluation	41,917	32,178	2,398	822	2,960	3,285	274		
Program Coordination	29,200	23,606	650	657	2,287	2,000			
	237,234	151,799	30,481	8,006	21,301	16,586	8,617	444	0
<b>Other:</b>									
Sales Tax Paid	29	0	0	29	0	0	0	0	0
<b>Total Smart Start Fund Expenditures</b>	1,415,078	299,922	49,167	28,920	45,154	50,010	13,606	927,731	568
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	49,156	24,646	121	2,154	3,368	3,576	291	15,000	
Child Care and Education Affordability	303							303	
Family Support	285			285					
	49,744	24,646	121	2,439	3,368	3,576	291	15,303	0
<b>Support:</b>									
Management and General	12,000		12,000						
Program Coordination	236			236					
	12,236	0	12,000	236	0	0	0	0	0
<b>Other:</b>									
Sales Tax Paid	4,798	0	0	4,798	0	0	0	0	0
<b>Total Other Funds Expenditures</b>	66,778	24,646	12,121	7,473	3,368	3,576	291	15,303	0

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

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Duplin County Partnership for Children (Duplin Partnership) is a legally separate nonprofit organization incorporated on August 24, 1994. The Duplin Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Duplin 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 Duplin 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 Duplin 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)

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However, unexpended advances to contractors that revert back to the State are recognized as a reduction to expenditures and an increase to net assets. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others.

- 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. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Partnership acts in an agency capacity. For the year ended, the Duplin Partnership was holding amounts withheld from employee paychecks for distribution to taxing authorities and for pension benefits.
- F. 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

The Duplin Partnership has an Automated Investment Plan to invest excess balances over \$55,000. The investment is in the bank's commercial paper securities and is not insured by the FDIC. Consequently, the Duplin Partnership bank deposits in excess of the FDIC insured limit totaled \$231,380 at June 30, 2001.

### NOTE 3 - FUNDING FROM GRANT AWARDS

**Smart Start Program** - The Duplin 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 Duplin Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Duplin 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

## **NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**

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and made payments to service providers selected by the Duplin Partnership.

## **NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**

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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 Duplin Partnership was awarded and has received \$1,427,491 under current year Smart Start contracts with NCPC. The unexpended balance of these contracts is subject to reversion to the State. The Partnership has returned \$12,415 of these contracts 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 Duplin Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Duplin 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, professional development, NC Child Care Corps, and health and safety intervention in child care programs.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

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**Child Care and Education Accessibility and Availability** – Used to account for service activities associated with increasing child care spaces.

**Child Care and Education Affordability** - Used to account for service activities including expansion of child care eligibility, public preschool classes, and transportation to child care.

**Health and Safety** - Used to account for service activities including dental treatment, comprehensive health services, prenatal/newborn services, comprehensive health support, special needs – early intervention services, and information and resources.

**Family Support** - Used to account for service activities including parenting education, parenting skills training, literacy projects, family literacy, and information and resources.

### **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.

**Program Coordination** – Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities.

### **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 estimates of utilization or utilization data.

## NOTES TO THE FINANCIAL STATEMENT (CONCLUDED)

### NOTE 6 - COMMITMENTS AND CONTINGENCIES

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	\$ 22,500
2003	27,000
2004	<u>6,750</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 56,250</u></b>

Total rental expenditure for all operating leases was \$27,750 for the year ended June 30, 2001.

### NOTE 7 - PENSION PLAN

The Duplin Partnership has a SIMPLE - IRA Plan covering all full-time employees. Each full-time employee of the Duplin Partnership has an option to participate in the plan. An Individual Retirement Account is provided to the employee through an outside financial institution. The Duplin Partnership contributed 3% of gross wages for the year ended June 30, 2001. The Duplin Partnership does not own the accounts nor is liable for any other cost other than the required contribution.

For the year ended June 30, 2001, the Duplin Partnership had a total payroll of \$263,651, a percentage of which was covered under the plan. The Partnership contributed \$5,444 for pension benefits during the year.

### 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>
Model Child Care Facility	\$ 50,000
Bilingual Coordinator Project	281
School Readiness Workshop	3,000
Smart Start Academy	<u>100</u>
	<b><u>\$ 53,381</u></b>

**Duplin 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
Duplin County Board of Education	*	332,550	(6,229)		
Duplin County Health Services	*	175,205	(147)		
Duplin County Parks and Recreation Department	*	12,171			
Duplin County Transportation Department		46,446			
Duplin/Sampson Area Mental Health, Developmental Disabilities and Substance Abuse Services	*	44,119			
James Sprunt Community College	*	54,214		15,000	
Lynda's Play and Learn Too	*	8,481			
North Carolina Cooperative Extension, Duplin Center	*	23,056			
Sand Castles	*	2,472			
Starr Christian Academy	*	12,504			
Various Day Care Providers		192,503			
		<b>903,721</b>	<b>(6,376)</b>	<b>15,000</b>	<b>0</b>
<b>Individuals:</b>					
Scholarships/Bonus Awards		<b>30,386</b>	<b>0</b>	<b>303</b>	<b>0</b>
		<b>934,107</b>	<b>(6,376)</b>	<b>15,303</b>	<b>0</b>

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



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

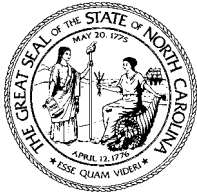
**Schedule 2**

Organization Name		DHHS Contracts
Child Care Services Association - WAGES Program		27,000
Duplin County Department of Social Services	*	908,976
		<b>935,976</b>
* 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.		

<b>Duplin County Partnership for Children</b>				
<b>Schedule of Federal and State Awards - Regulatory Basis</b>				
<b>For the Year Ended June 30, 2001</b>				
				<b>Schedule 3</b>
	Federal			
	CFDA			
Federal/State Grantor/Pass-through Grantor/Program	Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
U.S. Department of Health and Human Services				
Pass-through from the North Carolina Department of				
Health and Human Services - Division of Child Development				
Child Care and Development Block Grant	93.575	5740	\$ 2,021	\$ 0
Child Care and Development Block Grant	93.575	5860	25,580	31,743
<b>Total Federal Awards</b>			27,601	31,743
<b>State Awards:</b>				
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 Year)	N/A	1-90-2-06-001	(122,829)	
Early Childhood Initiatives Program (Current Year)	N/A *	1-01-2-06-001	1,424,384	1,411,971
Early Childhood Initiatives Program (Encumbrance)	N/A	1-01-2-06-001R	3,107	3,107
Multi-Partnership Accounting and Contracting Grant (Prior Year)	N/A	N/A	(2)	
Multi-Partnership Accounting and Contracting Grant (Current Year)	N/A	N/A	12,000	12,000
<b>Total State Awards</b>			1,316,660	1,427,078
<b>Total Federal and State Awards</b>			\$ 1,344,261	\$ 1,458,821
* Programs with compliance requirements that have a direct and material effect on the financial statement.				

<b>Duplin County Partnership for Children</b>			
<b>Schedule of Property and Equipment</b>			
<b>For the Year Ended June 30, 2001</b>			<b>Schedule 4</b>
	Furniture and Non-Computer Equipment	\$ 40,374	
	Computer Equipment/Printers	41,361	
	Leasehold Improvements	2,000	
	Motor Vehicles	62,102	
	<b>Total Property and Equipment</b>	<b>\$ 145,837</b>	
	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.		

<b>Duplin County Partnership for Children</b>				
<b>Schedule of Qualifying Match (Non-GAAP)</b>				
<b>For the Year Ended June 30, 2001</b>				<b>Schedule 5</b>
<b>Match Provided at the Partnership Level:</b>				
	Cash	\$	10,240	
	In-Kind Goods and Services		22,959	
		\$	33,199	
<b>Match Provided at the Contractor Level:</b>				
	Cash	\$	465,745	
	In-Kind Goods and Services		13,575	
		\$	479,320	
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.			



Ralph Campbell, Jr.  
State Auditor

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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**

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Board of Directors  
Duplin County Partnership for Children  
Kenansville, North Carolina

We have audited the financial statements of the Duplin County Partnership for Children (Duplin Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated October 12, 2001. 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 Duplin 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 disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Duplin 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 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 Duplin Partnership's ability to record, process,

**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)**

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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**

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

October 12, 2001

## AUDIT FINDINGS AND RECOMMENDATIONS

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*Current Year Findings and Recommendations* - The following finding and recommendation was identified during the current audit and represents a significant deficiency in internal control.

### CONTRACT MANAGEMENT AND MONITORING

We noted deficiencies in the Duplin County Partnership for Children's contract management and monitoring system. Conditions noted include:

- Contract amendments were not prepared to support changes in funding to playground grant recipients.
- Documentation to support programmatic and financial monitoring activities was not available for our review.

*Recommendation:* We recommend that the Duplin County Partnership for Children further enhance its contract management and monitoring plan. Written amendments should support changes to contract terms. Documentation of the monitoring processes provides evidence that contract activities are completed in accordance with the guidelines established by the Partnership and desired results are obtained.

*Partnership's Response:* Beginning immediately the Duplin County Partnership for Children will review and enhance its contract management and monitoring plan. Written amendments shall support changes to contracted terms. Documentation of the monitoring process shall provide evidence that contract activities are completed in accordance with the guidelines established by the Duplin County Partnership for Children and desired results are obtained.

The Duplin County Partnership for Children board of directors will review and approve suggested changes in the monitoring policy at the December meeting.

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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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Ms. Karen Ponder	Executive Director
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Director, Fiscal Research Division

December 20, 2001

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