



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF

DURHAM'S PARTNERSHIP FOR CHILDREN

DURHAM, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

DURHAM'S PARTNERSHIP FOR CHILDREN

DURHAM, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

BOARD OF DIRECTORS

BRIAN LETOURNEAU, CHAIRMAN

ADMINISTRATIVE OFFICER

SUSAN V. RUTH, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Directors, Durham's Partnership for Children

This report presents the results of our financial statement audit of the Durham's Partnership for Children (Durham 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 Durham 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 Durham 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 Durham Partnership is one of these local partnerships. As such, the Durham 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 - 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 Durham Partnership's ability to record, process, summarize, and report financial data in the financial statement.

Results - The following significant deficiencies were detected in internal control over financial reporting:

Finding

1. Contract Management and Monitoring
2. Internal Control Procedures

These matters are 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.

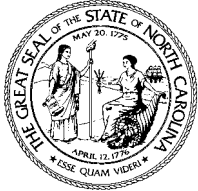
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Ralph Campbell, Jr.
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Durham's Partnership for Children
Durham, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Durham's Partnership for Children (Durham 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 Durham 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 Durham's 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 25, 2002 on our consideration of the Durham 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 Durham's 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 25, 2002

Durham's Partnership for Children

Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis

For the Year Ended June 30, 2001

Exhibit A

	Unrestricted Funds		Total Funds
	Smart Start Fund	Other Funds	
Receipts:			
State Awards (less refunds of \$237,272)	\$ 5,309,884	\$ 10,741	\$ 5,320,625
Private Contributions		3,744	3,744
Interest and Investment Earnings		3,882	3,882
Sales Tax Refunds		3,253	3,253
Other Receipts	6,817		6,817
Total Receipts	5,316,701	21,620	5,338,321
Expenditures:			
Programs:			
Child Care and Education Quality	2,687,350		2,687,350
Child Care and Education Affordability	960,525	1,112	961,637
Health and Safety	422,734		422,734
Family Support	939,629		939,629
Support:			
Management and General	481,949	16,918	498,867
Program Evaluation	44,894	1,276	46,170
Other:			
Sales Tax Paid		1,770	1,770
Total Expenditures	5,537,081	21,076	5,558,157
Excess of Receipts Over Expenditures	(220,380)	544	(219,836)
Net Assets at Beginning of Year	236,013	4,352	240,365
Net Assets at End of Year	\$ 15,633	\$ 4,896	\$ 20,529
Net Assets Consisted of:			
Cash on Deposit	\$ 11,626	\$ 4,896	\$ 16,522
Refunds Due From Contractors	4,007		4,007
	\$ 15,633	\$ 4,896	\$ 20,529

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

**Durham's 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	2,687,350							2,687,350	
Child Care and Education Affordability	960,525	68,619			2,027			889,879	
Health and Safety	422,734							422,734	
Family Support	939,629							939,629	
	5,010,238	68,619	0	0	2,027	0	0	4,939,592	0
Support:									
Management and General	481,949	311,445	45,595	15,356	45,285	48,745	15,523		
Program Evaluation	44,894	39,279	3,790	879	467		479		
	526,843	350,724	49,385	16,235	45,752	48,745	16,002	0	0
Total Smart Start Fund Expenditures	5,537,081	419,343	49,385	16,235	47,779	48,745	16,002	4,939,592	0
Other Funds:									
Programs:									
Child Care and Education Affordability	1,112	1,112	0	0	0	0	0	0	0
Support:									
Management and General	16,918	12,000	1,000		3,223				695
Program Evaluation	1,276	1,276							
	18,194	13,276	1,000	0	3,223	0	0	0	695
Other:									
Sales Tax Paid	1,770	0	0	1,770	0	0	0	0	0
Total Other Funds Expenditures	21,076	14,388	1,000	1,770	3,223	0	0	0	695

DURHAM'S PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Durham's Partnership for Children (Durham Partnership) is a legally separate nonprofit organization incorporated on October 31, 1994. The Durham Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Durham 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 Durham 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.

The Durham Partnership did not have any temporarily or 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - DEPOSITS

All funds of the Durham Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Durham Partnership to a concentration of credit risk. At June 30, 2001, the Durham Partnership's bank deposits in excess of the FDIC insured limit was \$305,716.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

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

The Durham Partnership was awarded and has received \$5,545,897 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 \$8,816 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 Durham Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Durham 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

A. Program Functions

Child Care and Education Quality - Used to account for service activities including child care resource and referral, professional development, child care provider support, NC Child Care Corps, curriculum enhancement, health and safety intervention in child care, and school readiness programs.

Child Care and Education Affordability - Used to account for service activities including comprehensive child care cost supports and transportation to child care.

Health and Safety - Used to account for service activities including prenatal/newborn services, comprehensive health support, information and resources, and outreach plans to assess services.

Family Support - Used to account for service activities including family resource center(s), parenting education, general family support, family crisis intervention, and special needs – family support.

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.

NOTES TO THE FINANCIAL STATEMENTS (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	\$ 38,378
2003	38,378
2004	<u>3,142</u>
Total Minimum Lease Payments	<u>\$ 79,898</u>

Total rental expenditure for all operating leases was \$41,943 for the year ended June 30, 2001.

NOTE 7 - PENSION PLAN

The Durham Partnership has a Simplified Employee Pension (SEP) plan covering all full-time employees. Each full-time employee of the Durham Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Durham Partnership contributed 8% of gross wages for the year ended June 30, 2001. The Durham 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 Durham Partnership had a total payroll of \$354,999, all of which was covered under the plan. The Partnership contributed \$32,128 for pension benefits during the year.

IRC Section 403(b) - All permanent employees who are at least half-time can participate in a tax sheltered annuity plan created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. All costs of administering and funding this plan are the responsibility of the plan. No costs are incurred by the Durham Partnership. The voluntary contributions by employees amounted to \$11,613 during the year ended June 30, 2001.

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

Schedu

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Child and Parent Support Services	287,569			
Child Care Services Association *	1,056,970	(2,760)		
Community Allies for Children	120,000			
Duke University	45,441			
Durham Council for Infants and Young Children with Special Needs	70,450			
Durham County Department of Social Services *	203,730			
Durham County Health Department *	244,069	(1,238)		
Durham County Library *	64,554	(9)		
Durham Technical Community College *	111,398			
Edgemont Community Center	200,000			
El Centro Hispano, Inc.	178,284			
Exchange Clubs Child Abuse Prevention Center	110,000			
Little River Community Complex, Inc.	160,000			
Operation Breakthrough, Inc. *	1,796,479			
The Appalachian Regional Commission of Durham County	60,000			
Volunteer Center for Greater Durham	15,156			
Welcome Baby	219,499			
	4,943,599	(4,007)	0	0

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

**Durham's 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	424,800
Durham County Department of Social Services	5,127,666
	5,552,466
<p>* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.</p>	
<p>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.</p>	

Durham's Partnership for Children
Schedule of State Awards - Regulatory Basis
For the Year Ended June 30, 2001

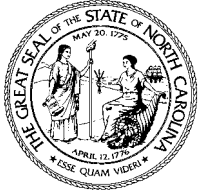
Schedule 3

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 Year)	Various	\$ (8,289)	\$ 0
Early Childhood Initiatives Program (Prior Year)	* 1-90-2-07-001	(228,983)	
Early Childhood Initiatives Program (Current Year)	* 1-01-2-07-001	5,375,897	5,367,081
Early Childhood Initiatives Program (Current Year)	1-01-2-07-001E	170,000	170,000
Multi-Partnership Accounting and Contracting Grant	N/A	12,000	12,000
Total State Awards		\$ 5,320,625	\$ 5,549,081
* Programs with compliance requirements that have a direct and material effect on the financial statement.			

<i>Durham's Partnership for Children</i>			
<i>Schedule of Property and Equipment</i>			
<i>For the Year Ended June 30, 2001</i>			<i>Schedule 4</i>
	Furniture and Non-Computer Equipment	\$ 32,838	
	Computer Equipment/Printers	31,514	
	Leasehold Improvements	3,859	
	Total Property and Equipment	<u>\$ 68,211</u>	
	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.	

Durham's 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		\$	1,792
In-Kind Goods and Services			7,600
			<u>9,392</u>
		\$	<u>9,392</u>
Match Provided at the Contractor Level:			
Cash		\$	1,133,657
In-Kind Goods and Services			214,102
			<u>1,347,759</u>
		\$	<u>1,347,759</u>
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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**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
Durham's Partnership for Children
Durham, North Carolina

We have audited the financial statements of the Durham's Partnership for Children (Durham Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated June 25, 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 Durham 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 Durham 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial

**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)**

reporting that, in our judgment, could adversely affect the Durham Partnership's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions noted as a result of our audit are described in the Audit Findings and Recommendations section of this report:

Finding

1. Contract Management and Monitoring
2. Internal Control Procedures

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 conditions described above to be material weaknesses.

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 25, 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.

1. CONTRACT MANAGEMENT AND MONITORING

We identified the following weaknesses during our review of the Durham's Partnership for Children's contract management and monitoring system:

- Documentation was not available to support the Partnership's fiscal monitoring activities of its subcontractors as per established procedures.
- The Partnership prepaid \$816,000 to a funded partner to support the Head Start Relocation Project. The payment was for the "administration and construction for the 170-unit Daycare Center" that was not constructed until after June 30, 2001 and not occupied as of the date of our audit.

The achievement of the Durham Partnership's goals is dependent on the effectiveness of its contract management and monitoring system. In addition, the Smart Start Accountability Plan, developed by the North Carolina Partnership for Children, Inc., prohibits the prepayment of goods and services at year-end.

Recommendation: We recommend that the Durham Partnership maintain documentation to support its fiscal monitoring of contracts. Also, the Partnership should incorporate guidance established by its oversight entity into its operating procedures to ensure that expenditures are incurred and recognized in the proper reporting period.

Partnership's Response: Durham's Partnership for Children's Executive Director has developed a procedure for documentation of the fiscal monitoring of funded activities that is now in effect. In addition, the Board of Directors, at its August 2002 meeting, will be presented for approval, revised policies to assure that expenditures are incurred and recognized in the proper reporting period.

2. INTERNAL CONTROL PROCEDURES

Our review of the internal control structure of the Partnership noted the following weaknesses:

- Current policies and procedures do not support the operations of the Partnership.

AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)

- Segregation of duties between the authorizing and processing functions was inadequate.

Weaknesses in the internal control system affect the Partnership's ability to achieve its goals and objectives and be accountable for its activities.

Recommendation: We recommend the Partnership review the current policies and procedures and revise as necessary to support the operations of the Partnership. Consideration should be given to structuring job assignments that result in the proper segregation for the authorizing and processing of transactions.

Partnership's Response: The Board of Directors will review, in August 2002, for approval, revised policies to assure that expenditures are incurred and recognized in the proper reporting period. The policies, based on recommended accounting policies from the North Carolina Partnership for Children, will include specific job assignments that will result in the proper segregation for the authorizing and processing of transactions.

DISTRIBUTION OF AUDIT REPORT

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.

EXECUTIVE BRANCH

The Honorable Michael F. Easley	Governor of North Carolina
The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Ms. Carmen Hooker Odom	Secretary, Department of Health and Human Services
Mr. Ashley Thrift	Chairman, Board of Directors North Carolina Partnership for Children, Inc.
Ms. Karen Ponder	Executive Director North Carolina Partnership for Children, Inc.

LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

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Senator Charlie Albertson	Representative Martha B. Alexander
Senator Frank W. Ballance, Jr.	Representative Flossie Boyd-McIntyre
Senator Charles Carter	Representative E. Nelson Cole
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Senator Daniel G. Clodfelter	Representative William T. Culpepper, III
Senator Walter H. Dalton	Representative W. Pete Cunningham
Senator James Forrester	Representative Beverly M. Earle
Senator Linda Garrou	Representative Ruth M. Easterling
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