

**FINANCIAL STATEMENT AUDIT REPORT OF
WILKES COMMUNITY
PARTNERSHIP FOR CHILDREN
NORTH WILKESBORO, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2001**

**PERFORMED UNDER CONTRACT WITH THE
NORTH CAROLINA OFFICE OF STATE AUDITOR
RALPH CAMPBELL, JR.**

FINANCIAL STATEMENT AUDIT REPORT OF
WILKES COMMUNITY PARTNERSHIP FOR CHILDREN
NORTH WILKESBORO, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2001

BOARD OF DIRECTORS

ISAAC FORESTER, CHAIRMAN

ADMINISTRATIVE OFFICER

LAURA GENTRY, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA

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AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of the Wilkes County Partnership for Children for the year ended June 30, 2001. Crisp Hughes Evans LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Wilkes County Partnership for Children 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 partnerships. The Wilkes County Partnership for Children is one of these local partnerships. As such, the Wilkes County Partnership for Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14 to have an annual financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the North Carolina General Statutes.

The significant Smart Start expansion authorized in the 1998 fiscal year almost doubled the related audit burden placed on the Office of the State Auditor. Therefore, the General Assembly, in its 1998-99 Expansion Budget, gave recognition to the resources needed to provide the audit oversight required by statute. Those resources incorporated a combination of permanent positions and contract funding to make the Smart Start audit effort self-sustaining.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of all 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.

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

Ralph Campbell, Jr.
State Auditor

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Wilkes Community Partnership for Children
North Wilkesboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Wilkes Community Partnership for Children (Wilkes Community 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 Wilkes Community 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Wilkes Community 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.

INDEPENDENT AUDITORS' REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2002 on our consideration of the Wilkes Community 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 auditors' report in considering the results of our audit.

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

January 24, 2002

Crisp Hughes Evans LLP

Wilkes Community 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 \$44,461)	\$ 1,576,955	\$ 16,968	\$ 1,593,923
Federal Awards	-	71,652	71,652
Local Awards	-	4,008	4,008
Private Contributions	-	9,344	9,344
Interest and Investment Earnings	-	2,117	2,117
Sales Tax Refunds	-	9,748	9,748
Other Receipts	949	201	1,150
Total Receipts	<u>1,577,904</u>	<u>114,038</u>	<u>1,691,942</u>
Expenditures:			
Programs:			
Child Care and Education Quality	451,105	34,894	485,999
Child Care and Education Affordability	269,827	28,702	298,529
Health and Safety	185,412	-	185,412
Family Support	483,254	25,452	508,706
Support:			
Management and General	196,103	-	196,103
Program Evaluation	16,000	-	16,000
Other:			
Sales Tax Paid	-	8,259	8,259
Total Expenditures	<u>1,601,701</u>	<u>97,307</u>	<u>1,699,008</u>
Excess of Receipts Over (Under) Expenditures	(23,797)	16,731	(7,066)
Net Assets at Beginning of Year	44,406	(16,812)	27,594
Net Assets at End of Year	<u>\$ 20,609</u>	<u>\$ (81)</u>	<u>\$ 20,528</u>

The accompanying notes are an integral part of these statements.

*Wilkes Community Partnership for Children
Statement of Functional Expenditures - Regulatory Basis
For the Year Ended June 30, 2001*

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating	Fixed Charges and Other	Property and Equipment Outlay	Services/ Contracts/ Grants	Participant Training
Smart Start Fund:									
Programs:									
Child Care and Education Quality	\$ 451,105	\$ 104,470	\$ 116,147	\$ 13,651	\$ 33,521	\$ 36,022	\$ 3,221	\$ 138,813	\$ 5,260
Child Care and Education Affordability	269,827	-	-	-	-	-	-	269,827	-
Health and Safety	185,412	9,704	13,170	4,655	1,667	-	7,537	148,679	-
Family Support	483,254	252,472	109,377	52,482	38,553	3,422	26,948	-	-
Support:									
Management and General	196,103	122,955	32,248	13,903	13,940	5,674	7,383	-	-
Program Evaluation	16,000	-	16,000	-	-	-	-	-	-
Total Smart Start Fund Expenditures	\$1,601,701	\$ 489,601	\$ 286,942	\$ 84,691	\$ 87,681	\$ 45,118	\$ 45,089	\$ 557,319	\$ 5,260
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 34,894	\$ 31,254	\$ -	\$ 64	\$ 2,996	\$ -	\$ 580	\$ -	\$ -
Child Care and Education Affordability	28,702	-	-	-	-	-	-	28,702	-
Family Support	25,452	-	24,390	-	-	-	1,062	-	-
Other:									
Sales Tax Paid	8,259	-	-	8,259	-	-	-	-	-
Total Other Funds Expenditures	\$ 97,307	\$ 31,254	\$ 24,390	\$ 8,323	\$ 2,996	\$ -	\$ 1,642	\$ 28,702	\$ -

The accompanying notes are an integral part of these statements.

WILKES COMMUNITY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Wilkes Community Partnership for Children (Wilkes Community Partnership) is a legally separate nonprofit organization incorporated on May 9, 1994. The Wilkes Community Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Wilkes Community 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 Wilkes Community 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 Wilkes Community 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 accounting principles generally accepted in the United States of America, 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.

NOTE 2 - DEPOSITS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Wilkes Community Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investment is in the bank's federal agency securities and is not insured by the FDIC. Consequently, the Wilkes Community Partnership bank deposits in excess of the FDIC insured limit totaled \$85,501 at June 30, 2001.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

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

The Wilkes Community Partnership was awarded and has received \$1,621,416 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 \$19,715 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - RELATED PARTY TRANSACTIONS

- A. Service Provider Contracts with Board Member Organizations** - The board members of the Wilkes Community Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Wilkes Community 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.
- B. Other Related Parties** - The Wilkes Community Partnership entered into transactions for contracted services with a private business associated with board members of the Partnership. The amounts paid included:

<u>Expenditures</u>	<u>Amount</u>
Accounting Services - Faw Financial Services	\$ 14,400
Payroll Services - Isaac Forester, CPA	<u>3,500</u>
	<u>\$ 17,900</u>

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 quality enhancement grants, early education enhancement programs, child care resource and referral, professional development, child care substitutes, salary supplements, provider training, child care provider support, health and safety training for child care professionals, child care data analysis, workforce studies, resources and materials, health and safety intervention in child care, and environmental assessment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Child Care and Education Affordability - Used to account for service activities including eliminate waiting list, Head Start wraparound, comprehensive child care cost supports, scholarship program, supplement for quality, transportation to child care, cooperative play groups, and enrolled part day care programs.

Health and Safety - Used to account for service activities including immunization support, health resource van, dental treatment, dental screenings, dental education, comprehensive dental services, mobile health unit, speech and hearing screenings, vision screenings, comprehensive screenings, special needs - early intervention services, and nutrition programs.

Family Support - Used to account for service activities including family resource center, mobile family resource center, parenting education, teen parent/child program, parenting skills training, ongoing parent education, general family support, literacy projects, family literacy, MotherRead, transportation services, drop-in part day child care program, and community playgrounds.

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

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	\$ 33,450
2003	30,243
2004	24,426
2005	6,426
2006	426
2007	426
Total Minimum Lease Payments	<u>\$ 95,397</u>

Total rental expenditure for all operating leases was \$10,687 for the year ended June 30, 2001.

NOTE 7 - PENSION PLAN

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 Wilkes Community Partnership. The voluntary contributions by employees amounted to \$1,704 during the year ended June 30, 2001.

***Wilkes Community 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
Child Care Scholarships	\$ 43,212	\$ -	\$ 3,952	\$ -
Quality Enhancement Grants	119,778	-	-	-
Supplements for Quality	212,849	-	-	-
Technology Grants for Teachers and Children	19,035	-	-	-
Wilkes County Health Department	* 128,679	-	-	-
Wilkes Dental Consortium	* 20,000	-	-	-
Individuals:				
Child Care Scholarships	* 1,626	-	-	-
Supplements for Quality	* 12,140	-	-	-
Other Bonus Awards	-	-	24,750	-
	\$ 557,319	\$ -	\$ 28,702	\$ -

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

See Independent Auditors' Report.

***Wilkes Community 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 - WAGE\$ Program	\$ 80,180
Wilkes County Department of Social Services	* 990,000
	\$ 1,070,180

* These organizations are represented on the Partnership's Board as described in Note 4A - 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.

See Independent Auditors' Report.

***Wilkes Community Partnership for Children
Schedule of Federal and State Awards - Regulatory Basis
For the Year Ended June 30, 2001***

Schedule 3

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
Federal Awards:				
U.S. Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services Pass-through from the Wilkes County Health Department Hispanic Interpreter Program	93.000	1-90-5408-005	\$ 2,934	\$ 3,591
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development Child Care Resource & Referral Program	93.575	5877	<u>68,718</u>	<u>59,000</u>
Total Federal Awards			<u>71,652</u>	<u>62,591</u>
State Awards:				
North Carolina Department of Health and Human Services Pass-through from the Wilkes County Health Department Hispanic Interpreter Program	N/A	1-90-5408-005	12,113	14,821
North Carolina Department of Health and Human Services Division of Child Development Healthy Start (Prior Year)	N/A	9917	4,855	1,015
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) Early Childhood Initiatives Program (Current Year)	N/A N/A	* 1-90-2-11-001 * 1-01-2-11-001	(44,461) <u>1,621,416</u>	- <u>1,601,701</u>
Total State Awards			<u>1,593,923</u>	<u>1,617,537</u>
Total Federal and State Awards			<u>\$ 1,665,575</u>	<u>\$ 1,680,128</u>

* Programs with compliance requirements that have a direct and material effect on the financial statements.

See Independent Auditors' Report.

***Wilkes Community Partnership for Children
Schedule of Property and Equipment
For the Year Ended June 30, 2001***

Schedule 4

Furniture and Non-Computer Equipment	\$	25,534
Computer Equipment/Printers		47,542
Buildings		7,201
Leasehold Improvements		<u>79,390</u>
Total Property and Equipment	\$	<u>159,667</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.

See Independent Auditors' Report.

***Wilkes Community 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	\$ 13,352
In-Kind Goods and Services	<u>84,877</u>
	<u>\$ 98,229</u>

Match Provided at the Contractor Level:

Cash	\$ 1,726,226
In-Kind Goods and Services	<u>24,695</u>
	<u>\$ 1,750,921</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 accounting principles generally accepted in the United States of America.

See Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Wilkes Community Partnership for Children
North Wilkesboro, North Carolina

We have audited the financial statements of the Wilkes Community Partnership for Children (Wilkes Community Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 24, 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 Wilkes Community 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 Wilkes Community 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

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

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 Wilkes Community 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. FINANCIAL PRESENTATION

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.

We also noted other matters involving issues of a management control nature that are described in the Audit Findings and Recommendations section of this report.

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.

January 24, 2002

Crisp Hughes Evans LLP

AUDIT FINDINGS AND RECOMMENDATIONS

Findings and Recommendations from the Current Audit - The following presents a finding and recommendation, determined during the current audit, which represents a significant deficiency in internal controls.

1. FINANCIAL PRESENTATION

The financial presentation for the Wilkes Community Partnership was misstated, resulting in 14 audit adjustments.

- Net asset balances were off by \$4,175 (net), primarily due to prior audit entries not being posted. This was the second straight year that these entries had not been posted.
- Cash balances in total tied to reconciled bank balances; however, cash balances in the individual funds were misstated.
- Improper use of the North Carolina Partnership for Children’s (NCPC) standard chart of accounts. All balance sheet accounts should be assigned a “0001” purpose service code (PSC). Many balance sheet accounts had a “0000” PSC.
- Errors in coding non-smart start expenditures. Non-smart start expenditures were assigned a “9200” PSC. This code is designated for fundraising activities.

During the audit, we met with the MAC accountant to discuss some of these issues. The MAC accountant stated the prior audit entries had been entered but the MIP software did not post the adjustments.

Recommendation: The Wilkes Community Partnership should establish and implement proper procedures for the classification and review of transactions to ensure that transactions are properly recorded.

Partnership’s Response: The Wilkes Community Partnership’s contract manager and MAC accountant will closely review and develop a monthly reporting system to the executive director for review of:

- Audit entries posted and dated.
- Cash balance checklist for each fund established.
- Review of purpose service code balance sheet

The executive director will review all coding to ensure proper coding on expenditures.

These changes have been updated in the cash management and financial programs and grants sections of the policies and procedures manual.

AUDIT FINDINGS AND RECOMMENDATIONS (CONTINUED)

Other observations and recommendations - The conditions and recommendations described below are not considered by us to be reportable conditions but are presented for your consideration to assist management in its day to day operations.

PAYROLL

The Wilkes Community Partnership did not reconcile its quarterly payroll reports (Form 941) to salaries and wages recorded in the general ledger. The purpose of the reconciliation is to ensure that the gross wage and employer FICA totals reflected on the quarterly payroll report are in agreement with the applicable general ledger accounts.

We recommend the Wilkes Community Partnership reconcile salaries recorded in the general ledger to the quarterly payroll report each quarter.

Partnership's Response: The Wilkes Community Partnership's contract manager and MAC accountant will check each payroll to reconcile salaries as recorded in the general ledger and sign and date each salary sheet.

These changes have also been updated in the payroll section of the policies and procedures manual.

FUND ACCOUNTING

The trial balances provided to us for this year's audit contained over 50 funds. Some funds had very little or no activity. One of the principles of fund accounting is to maintain the fewest number of funds possible.

We recommend the Wilkes Community Partnership review all funds and close out all inactive and extraneous funds.

Partnership's Response: The fund accounting recommendation has been addressed in the response to the financial presentation comment.

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

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Senator Stephen M. Metcalf	Representative Ruth M. Easterling	Representative Douglas Y. Yongue
Senator Fountain Odom	Representative Stanley H. Fox	

Other Legislative Officials

Representative Philip A. Baddour, Jr.	Majority Leader of the N.C. House of Representatives
Senator Anthony E. Rand	Majority Leader of the N.C. Senate
Senator Patrick J. Ballantine	Minority Leader of the N.C. Senate
Representative N. Leo Daughtry	Minority Leader of the N.C. House of Representatives
Representative Joe Hackney	N. C. House Speaker Pro-Tem
Mr. James D. Johnson	Director, Fiscal Research Division

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