



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF
ROBESON COUNTY PARTNERSHIP FOR CHILDREN
LUMBERTON, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2001

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

**FINANCIAL STATEMENT AUDIT REPORT OF
ROBESON COUNTY PARTNERSHIP FOR CHILDREN**

LUMBERTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

BOARD OF DIRECTORS

ALPHONZO McRAE, CHAIRMAN

ADMINISTRATIVE OFFICER

JEAN JOHNSON, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

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Office of the State Auditor

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AUDITOR'S TRANSMITTAL

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

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

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.

We also noted another matter involving an issue of a management control nature that is described in 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
Robeson County Partnership for Children
Lumberton, North Carolina

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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Government Auditing Standards and should be read in conjunction with the independent auditor's 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 Robeson County Partnership for Children taken as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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



Ralph Campbell, Jr.
State Auditor

February 1, 2002

Robeson County Partnership for Children

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

For the Year Ended June 30, 2001

Exhibit A

| | Unrestricted Funds | | Temporarily Restricted Funds | Total Funds |
|---|--------------------|------------------|------------------------------|-------------------|
| | Smart Start Fund | Other Funds | | |
| Receipts: | | | | |
| State Awards (less refunds of \$690,027) | \$ 3,634,709 | \$ 12,000 | \$ 0 | \$ 3,646,709 |
| Private Contributions | | 67,403 | 47,970 | 115,373 |
| Special Fund Raising Events | | 900 | | 900 |
| Interest and Investment Earnings | | 3,526 | | 3,526 |
| Sales Tax Refunds | | 34,599 | | 34,599 |
| Other Receipts | | 13,019 | | 13,019 |
| Total Receipts | 3,634,709 | 131,447 | 47,970 | 3,814,126 |
| Net Assets Released from Restrictions: | | | | |
| Satisfaction of Program Restrictions | | 129,679 | (129,679) | |
| | 3,634,709 | 261,126 | (81,709) | 3,814,126 |
| Expenditures: | | | | |
| Programs: | | | | |
| Child Care and Education Quality | 1,374,572 | 140,565 | | 1,515,137 |
| Child Care and Education Accessibility and Availability | 516,815 | 1,091 | | 517,906 |
| Child Care and Education Affordability | 346,139 | 5,107 | | 351,246 |
| Health and Safety | 331,713 | | | 331,713 |
| Family Support | 446,903 | | | 446,903 |
| Support: | | | | |
| Management and General | 429,002 | 19,572 | | 448,574 |
| Program Evaluation | 304,572 | 55,349 | | 359,921 |
| Other: | | | | |
| Sales Tax Paid | | 12,720 | | 12,720 |
| Total Expenditures | 3,749,716 | 234,404 | 0 | 3,984,120 |
| Excess of Receipts Over Expenditures | (115,007) | 26,722 | (81,709) | (169,994) |
| Net Assets at Beginning of Year | 703,754 | (14,067) | 140,568 | 830,255 |
| Net Assets at End of Year | \$ 588,747 | \$ 12,655 | \$ 58,859 | \$ 660,261 |
| Net Assets Consisted of: | | | | |
| Cash on Deposit | \$ 521,190 | \$ 12,655 | \$ 58,859 | \$ 592,704 |
| Refunds Due From Contractors | 67,557 | | | 67,557 |
| | \$ 588,747 | \$ 12,655 | \$ 58,859 | \$ 660,261 |

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

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

Exhibit B

| | Total | Personnel | Contracted Services | Supplies and Materials | Other Operating Expenses | Fixed Charges and Other Expenses | Property and Equipment Outlay | Services/ Contracts/ Grants | Participant Training Expense |
|---|------------------|----------------|---------------------|------------------------|--------------------------|----------------------------------|-------------------------------|-----------------------------|------------------------------|
| Smart Start Fund: | | | | | | | | | |
| Programs: | | | | | | | | | |
| Child Care and Education Quality | 1,374,572 | | | | | | | 1,374,572 | |
| Child Care and Education Accessibility and Availability | 516,815 | | | | | | | 516,815 | |
| Child Care and Education Affordability | 346,139 | | | | 84 | | 346,055 | | |
| Health and Safety | 331,713 | | | | | | | 331,713 | |
| Family Support | 446,903 | | | (41) | | | | 446,944 | |
| | 3,016,142 | 0 | 0 | (41) | 84 | 0 | 346,055 | 2,670,044 | 0 |
| Support: | | | | | | | | | |
| Management and General | 429,002 | 164,525 | 30,607 | 8,076 | 56,121 | 13,570 | 156,103 | | |
| Program Evaluation | 304,572 | 88,425 | 39,036 | 54,438 | 99,821 | 12,875 | 9,977 | | |
| | 733,574 | 252,950 | 69,643 | 62,514 | 155,942 | 26,445 | 166,080 | 0 | 0 |
| Total Smart Start Fund Expenditures | 3,749,716 | 252,950 | 69,643 | 62,473 | 156,026 | 26,445 | 512,135 | 2,670,044 | 0 |
| Other Funds: | | | | | | | | | |
| Programs: | | | | | | | | | |
| Child Care and Education Quality | 140,565 | | | | | | | 140,565 | |
| Child Care and Education Accessibility and Availability | 1,091 | | | | | | | 1,091 | |
| Child Care and Education Affordability | 5,107 | | | | | | 5,107 | | |
| | 146,763 | 0 | 0 | 0 | 0 | 0 | 5,107 | 141,656 | 0 |
| Support: | | | | | | | | | |
| Management and General | 19,572 | 4,183 | | 6,442 | 2,180 | 745 | 6,022 | | |
| Program Evaluation | 55,349 | 43,739 | 2,595 | 6,091 | 2,924 | | | | |
| | 74,921 | 47,922 | 2,595 | 12,533 | 5,104 | 745 | 6,022 | 0 | 0 |
| Other: | | | | | | | | | |
| Sales Tax Paid | 12,720 | 0 | 0 | 12,720 | 0 | 0 | 0 | 0 | 0 |
| Total Other Funds Expenditures | 234,404 | 47,922 | 2,595 | 25,253 | 5,104 | 745 | 11,129 | 141,656 | 0 |

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Robeson County Partnership for Children (Robeson Partnership) is a legally separate nonprofit organization incorporated on October 19, 1995. The Robeson Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Robeson 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 Robeson 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 Robeson Partnership did not have any permanently restricted net assets at June 30, 2001.

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

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

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

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

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

NOTE 2 - DEPOSITS

All funds of the Robeson Partnership are deposited with one commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Robeson Partnership to a concentration of credit risk. At June 30, 2001, the Robeson Partnership's bank deposits in excess of the FDIC insured limit was \$794,221.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Robeson 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 Robeson 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.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

The Robeson Partnership was awarded \$4,383,176 under current year Smart Start contracts with NCPC and has received \$4,324,736 of this amount. The unexpended balance of these contracts is subject to reversion to the State. The Partnership has returned \$617,134 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 Robeson Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Robeson 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, program upgrade projects, early education enhancement programs, child care resource and referral, salary supplements, health and safety training for child care professionals, special needs training for child care professionals, or environmental assessment(s).

Child Care and Education Accessibility and Availability - Used to account for service activities including inclusion support and transportation equipment.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

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

Health and Safety - Used to account for service activities including comprehensive dental services, mobile health unit, speech and hearing screenings, prenatal/newborn services, outreach nurses, comprehensive health support, or child abuse and neglect intervention activities.

Family Support - Used to account for service activities including ongoing parent education, family crisis intervention, literacy projects, or school readiness programs.

B. Support Functions

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

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

C. Allocation of Joint Costs

Salaries and benefits expenditures were allocated based on employee time reports.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

NOTE 6 - COMMITMENTS AND CONTINGENCIES

- A. 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 | \$ 4,165 |
| 2003 | 4,165 |
| 2004 | <u>2,650</u> |
| Total Minimum Lease Payments | \$ <u>10,980</u> |

Total rental expenditure for all operating leases was \$16,538 for the year ended June 30, 2001.

- B. Commitments on Contracts** - The Robeson Partnership had outstanding commitments of \$519,564 on a cost-reimbursement contract for building renovations that had not been paid at 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 Robeson Partnership. The voluntary contributions by employees amounted to \$1,200 during the year ended June 30, 2001.

NOTES TO THE FINANCIAL STATEMENT (CONCLUDED)

NOTE 8 - RESTRICTIONS ON NET ASSETS

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

| Purpose | Amount |
|--|------------------|
| One Stop Service Center | \$ 27,430 |
| Center for Child and Family Health | 20,000 |
| Pre-School Education for Low-Income Children | 8,260 |
| Hand on Learning Center | 2,629 |
| Spinoza Developmental Learning Kits | 540 |
| | <u>58,859</u> |
| | <u>\$ 58,859</u> |

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2001, by incurring expenditures satisfying the restricted purposes as follows:

| Purpose | Amount |
|--------------------------|-------------------|
| Hands on Learning Center | \$ 118,695 |
| Outreach Specialist | 8,960 |
| Director of Development | 2,024 |
| | <u>129,679</u> |
| | <u>\$ 129,679</u> |

*Robeson 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 |
| Center for Community Action | * | 63,159 | | | |
| Child and Parent Support Services | | 62,164 | | | |
| Child Care Directions | * | 379,473 | (973) | | |
| Children's Place of Robeson County, Incorporated | | 180,819 | (1,671) | | |
| Lumber River Council of Government | * | 246,915 | (19,334) | | |
| Lumberton Children's Clinic | * | 51,139 | (6) | | |
| Public Schools of Robeson County - Shining Stars Lab | * | 298,234 | | 1,655 | |
| Robeson Community College | * | 209,545 | (1,669) | | |
| Robeson County Church and Community Center | | 84,510 | (731) | | |
| Robeson County Cooperative Extension | * | 161,042 | (1,596) | | |
| Robeson County Health Department | * | 620,291 | (39,219) | | |
| Robeson County Public Library | * | 117,077 | | 118,695 | |
| Robeson Health Care Corporation | * | 14,350 | (1,896) | | |
| Southeastern Regional Medical Center | * | 28,704 | | | |
| Speech, Pathology and Audiology of Robeson County | | 51,429 | (285) | | |
| Various Day Care Providers | | 140,950 | | 21,306 | |
| Volunteer Families for Children | | 27,800 | (177) | | |
| | | 2,737,601 | (67,557) | 141,656 | 0 |

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

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

Schedule 2

| Organization Name | | DHHS Contracts | |
|--|---|---------------------------|--|
| Robeson County Department of Social Services | * | 2,835,864 | |
| | | | |
| | | | |
| * 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. | | | |

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

Schedule 3

| State Grantor/Pass-through Grantor/Program | Contract # | Receipts | Expenditures |
|--|----------------|---------------------|---------------------|
| State Awards: | | | |
| North Carolina Department of Health and Human Services | | | |
| Division of Child Development | | | |
| Pass-through from the North Carolina Partnership for Children, Inc. | | | |
| Early Childhood Initiatives Program (Prior Year) | Various | \$ (690,027) | \$ (13,026) |
| Early Childhood Initiatives Program (Current Year) | #1-01-3-05-001 | 4,324,736 | 3,762,742 |
| Multi-Partnership Accounting and Contracting Grant | N/A | 12,000 | 12,155 |
| Total State Awards | | \$ 3,646,709 | \$ 3,761,871 |
| * Programs with compliance requirements that have a direct and material effect on the financial statement. | | | |

| Robeson County Partnership for Children | | | |
|--|--|----|-------------------|
| Schedule of Property and Equipment | | | |
| For the Year Ended June 30, 2001 | | | <i>Schedule 4</i> |
| | | | |
| | | | |
| | Furniture and Non-Computer Equipment | \$ | 44,762 |
| | Computer Equipment/Printers | | 66,697 |
| | Buildings | | <u>653,206</u> |
| | Total Property and Equipment | \$ | <u>764,665</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. | | |

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

Schedule 5

Match Provided at the Partnership Level:

| | |
|----------------------------|------------|
| Cash | \$ 115,374 |
| In-Kind Goods and Services | 19,236 |
| | \$ 134,610 |

Match Provided at the Contractor Level:

| | |
|----------------------------|------------|
| Cash | \$ 552,493 |
| In-Kind Goods and Services | 140,568 |
| | \$ 693,061 |

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

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Ralph Campbell, Jr.
State Auditor

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Office of the 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**

Board of Directors
Robeson County Partnership for Children
Lumberton, North Carolina

We have audited the financial statements of the Robeson County Partnership for Children (Robeson Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated February 1, 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 Robeson 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 Robeson 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

**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)**

that, in our judgment, could adversely affect the Robeson 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

Contract Management

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 another matter involving an issue of a management control nature that is 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.



Ralph Campbell, Jr.
State Auditor

February 1, 2002

AUDIT FINDINGS AND RECOMMENDATIONS

Matters Related to Financial Reporting

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

1. CONTRACT MANAGEMENT

We identified in prior years weaknesses in the Robeson Partnership's contract management system including the lack of formal contract management and monitoring procedures, inadequate contract documents/amendments, failure to follow established grant criteria, and inadequate documentation to support grant payments.

This finding is partially resolved. Improvement was noted in the Partnership's contract documentation as well as its adherence to established grant criteria. However, we continued to see deficiencies in the current year, particularly in the area of Quality Grants, which emphasizes the need for formal contract management and monitoring policies and procedures. Deficiencies noted included:

- Contract documents for the Quality Grants included terms that were not applicable for that grant type.
- Documentation to support receipt of goods or completion of services was not consistently available for review.
- Limited documentation was available to support the development of improvement plans and the follow-up monitoring activities.

Recommendation: We recommend that the Robeson Partnership adopt and implement formal contract management and monitoring policies and procedures. Contract activities should be administered in accordance with those policies and documentation maintained to support compliance with the terms of the contracts.

Partnership's Response: The Robeson County Partnership for Children will use a Memorandum of Understanding with all quality grant recipients instead of a contract. The Robeson County Partnership for Children will require all packing slips to be checked against orders to verify delivery and accuracy. The packing slips will be attached to the invoice it pertains to. The Robeson County Partnership for Children will require the Program Coordinator to document all improvements due to funding from Smart Start and 1 follow-up visit in the same fiscal year to each grant recipient to verify that all equipment and/or funding has been placed and is being used correctly.

AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)

Recommendation compliance: The Robeson County Partnership for Children is developing Partnership specific Contract Policies and Procedures and will attempt to have them approved and in place by the end of FY 02-03.

Matters Not Related to Financial Reporting

Management Control Findings and Recommendations - The following finding and recommendation was identified during the current audit and represents a significant deficiency in the management control processes for matters not directly related to financial reporting.

2. SPENDING DECISIONS

Our review of the Robeson Partnership's disbursements during the current year noted a prepayment of \$134,184 for building renovations. In addition, we noted expenditures for promotional items totaling \$61,635. Many of these costs were charged against program activities. Items included t-shirts, frisbees, staff jackets and polo shirts, and other items with the Partnership's name. The Smart Start Accountability Plan, developed by the North Carolina Partnership for Children, Inc., prohibits the prepayment of goods and services at year-end. The purchases of promotional items appear to be excessive and their value to the program activities is questionable.

Recommendation: We recommend that the Robeson Partnership incorporate guidance established by their oversight entity into its operating procedures. The Board should monitor the Partnership's spending decisions to ensure that the objectives of the strategic plan are being met and expenditures are reasonable within the program objectives.

Partnership's Response: A check was cut for \$134,184 in the month of June for July expenses. We have been informed that no prepayment of expenses is allowed. The Partnership will review their accounting policies and procedures to ensure this does not happen again. Over \$35,000 was for bags and t-shirts to be given out during the Week of the Young Child. Over 7,000 bags and shirts were hand delivered by our board members to every Child Care Center or home day care to children in the age group 0-5. This was our way to let Robeson County day care providers know that everyone associated with the Partnership wants to support Smart Start.

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May 24, 2002

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