



# STATE OF NORTH CAROLINA

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

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**WILSON COUNTY PARTNERSHIP FOR CHILDREN**

**WILSON, NORTH CAROLINA**

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

**BOARD OF DIRECTORS**

**FRANK E. EMORY, CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**BRUCE B. TINGLE, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

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**AUDITOR'S TRANSMITTAL**

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

This report presents the results of our financial statement audit of the Wilson County Partnership for Children (Wilson 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 Wilson 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 Wilson 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 Wilson Partnership is one of these local partnerships. As such, the Wilson Partnership is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14(b) to have an annual financial and compliance audit conducted by the State Auditor.

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

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

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

## **AUDITOR'S TRANSMITTAL (CONCLUDED)**

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

**Results** - The following instance of noncompliance was detected:

**Finding**

2. Competitive Bidding

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

3. **Objective** - Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Wilson 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  
  
3. 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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Ralph Campbell, Jr.  
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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
Wilson County Partnership for Children  
Wilson, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Wilson County Partnership for Children (Wilson 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 Wilson 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 Wilson 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 Wilson on our consideration of the Wilson Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts

## **INDEPENDENT AUDITOR'S REPORT (CONCLUDED)**

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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.

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

May 2, 2002

**Wilson County 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	
<b>Receipts:</b>			
State Awards (less refunds of \$104,102)	\$ 1,166,053	\$ 12,000	\$ 1,178,053
Private Contributions		7,545	7,545
Interest and Investment Earnings		6,077	6,077
Sales Tax Refunds		3,843	3,843
Other Receipts	5	581	586
<b>Total Receipts</b>	<b>1,166,058</b>	<b>30,046</b>	<b>1,196,104</b>
<b>Expenditures:</b>			
Programs:			
Child Care and Education Quality	664,620	9,399	674,019
Child Care and Education Affordability	43,147		43,147
Health and Safety	44,889		44,889
Family Support	174,635		174,635
Support:			
Management and General	210,461	16,493	226,954
Program Evaluation	13,288		13,288
Program Coordination	63,824	765	64,589
Other:			
Sales Tax Paid		29,195	29,195
<b>Total Expenditures</b>	<b>1,214,864</b>	<b>55,852</b>	<b>1,270,716</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(48,806)</b>	<b>(25,806)</b>	<b>(74,612)</b>
<b>Net Assets at Beginning of Year</b>	<b>107,428</b>	<b>4,866</b>	<b>112,294</b>
<b>Net Assets at End of Year</b>	<b>\$ 58,622</b>	<b>\$ (20,940)</b>	<b>\$ 37,682</b>
<b>Net Assets Consisted of:</b>			
Cash on Deposit	\$ 54,800	\$ (20,940)	\$ 33,860
Refunds Due From Contractors	3,822	0	3,822
	<b>\$ 58,622</b>	<b>\$ (20,940)</b>	<b>\$ 37,682</b>
The accompanying notes to the financial statement are an integral part of this statement.			



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

*Exhibit B*

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenses	Fixed Charges and Other Expenses	Property and Equipment Outlay	Services/ Contracts/ Grants	Participant Training Expense
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Quality	664,620	2,688	51,131	13,420	16,302	10,172	90,428	479,095	1,384
Child Care and Education Affordability	43,147		1,020	41,044	1,083				
Health and Safety	44,889							44,889	
Family Support	174,635							174,635	
	<b>927,291</b>	<b>2,688</b>	<b>52,151</b>	<b>54,464</b>	<b>17,385</b>	<b>10,172</b>	<b>90,428</b>	<b>698,619</b>	<b>1,384</b>
<b>Support:</b>									
Management and General	210,461	6,306	125,354	3,579	11,532	1,923	61,767		
Program Evaluation	13,288	2,175	11,078		35				
Program Coordination	63,824		36,979	300	4,261	1,868	20,416		
	<b>287,573</b>	<b>8,481</b>	<b>173,411</b>	<b>3,879</b>	<b>15,828</b>	<b>3,791</b>	<b>82,183</b>	<b>0</b>	<b>0</b>
<b>Total Smart Start Fund Expenditures</b>	<b>1,214,864</b>	<b>11,169</b>	<b>225,562</b>	<b>58,343</b>	<b>33,213</b>	<b>13,963</b>	<b>172,611</b>	<b>698,619</b>	<b>1,384</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	9,399	0	0	3,091	5,991	317	0	0	0
<b>Support:</b>									
Management and General	16,493		12,745	2,756	800	2	190		
Program Coordination	765				725	40			
	<b>17,258</b>	<b>0</b>	<b>12,745</b>	<b>2,756</b>	<b>1,525</b>	<b>42</b>	<b>190</b>	<b>0</b>	<b>0</b>
<b>Other:</b>									
Sales Tax Paid	29,195			29,195					
<b>Total Other Funds Expenditures</b>	<b>55,852</b>	<b>0</b>	<b>12,745</b>	<b>35,042</b>	<b>7,516</b>	<b>359</b>	<b>190</b>	<b>0</b>	<b>0</b>

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

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Wilson County Partnership for Children (Wilson Partnership) is a legally separate nonprofit organization incorporated on October 11, 1994. The Wilson Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Wilson 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 Wilson 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 Wilson 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 STATEMENT (CONTINUED)**

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**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 Wilson 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 Wilson Partnership to a concentration of credit risk. At June 30, 2001, the Wilson Partnership's bank deposits in excess of the FDIC insured limit was \$373,674.

### **NOTE 3 - FUNDING FROM GRANT AWARDS**

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

Associated with these contracts, the Wilson 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, NCPC and the Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Wilson Partnership. These service provider contracts are not reflected on the accompanying financial statement. However, a summary of the service provider contracts entered into by NCPC and DHHS are presented on Schedule 2 accompanying the financial statements.

The Wilson Partnership was awarded and has received \$1,270,155 under current year Smart Start contracts with NCPC. The unexpended balances of the contracts are subject to reversion to the State. The Partnership has returned \$55,291 of the 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.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

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### NOTE 4 - RELATED PARTY TRANSACTIONS

**Service Provider Contracts with Board Member Organizations** - The board members of the Wilson Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Wilson 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 NCPC and 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, early education enhancement programs, childcare resource and referral, professional development, and salary supplements.

**Child Care and Education Affordability** - Used to account for service activities including elimination of the waiting list, childcare coordinator(s), and outreach materials.

**Health and Safety** - Used to account for service activities including dental education, vision screenings, comprehensive health screenings, prenatal/newborn services, and child abuse and neglect intervention.

**Family Support** - Used to account for service activities including teen parent/child program(s) and family literacy.

#### B. Support Functions

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

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**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

## NOTES TO THE FINANCIAL STATEMENT (CONCLUDED)

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expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

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

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

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** - Allocated based on estimated time spent by employees for each functions or employee time reports.

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

### NOTE 6 - COMMITMENTS AND CONTINGENCIES

Total rental expenditure for all operating leases was \$3,186 for the year ended June 30, 2001.

### NOTE 7 - PENSION PLAN

The Wilson Partnership has a Simplified Employee Pension (SEP) plan covering all full-time employees. Each full-time employee of the Wilson Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Wilson Partnership contributed 6.81% of gross wages for the year ended June 30, 2001. The Wilson 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 Wilson Partnership had a total payroll of \$166,394, all of which was covered under the plan. The Partnership contributed \$11,331 for pension benefits during the year.

**Wilson 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
Building Blocks for Tots	28,072			
Crestview Day Care Center	40,234			
Eastern Carolina University	15,590	(2,780)		
Fairplay Child Center	26,184			
Hattie Daniels Day Care Center	* 3,520			
It's a Small World, Inc.	9,708			
Joann's Child Care	11,915			
Kiddie Care	* 5,177			
Kiddie Kampus of Wilson	31,104			
Kidstown Child Care and Learning Center	15,590			
Kidsworld Learning Center	* 3,692			
Land of Learning	21,285			
Martha Roundtree Center	16,344			
Morning Star Child Care and Learning Center	11,713			
New Creations Child Care Center	11,018			
Positive Change for Youth	27,647	(367)		
Sallie B. Howard School	35,810	(675)		
Science Museums of Wilson	63,596			
St. Therese Catholic School	10,125			
Various Quality Enhancement Grants	127,113			
Wee School Child Development Center	* 20,504			
Wesley Shelter	139,500			
Wilson County Health Department	* 4,800			
Wilson County Technical Institute	* 16,100			
	<b>696,341</b>	<b>(3,822)</b>		<b>0</b>
<b>Individuals:</b>				
T.E.A.C.H. Program	<b>6,100</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>702,441</b>	<b>(3,822)</b>	<b>0</b>	<b>0</b>

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

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

***Schedule 2***

<b>Organization Name</b>	<b>NPC Contracts</b>	<b>DHHS Contracts</b>	<b>Total</b>
Child Care Services Association - WAGES Program		121,660	121,660
NC Cooperative Extension *	69,087		69,087
Prevent Blindness of North Carolina	36,243		36,243
Wilson County Department of Social Services *		1,384,524	1,384,524
	<b>105,330</b>	<b>1,506,184</b>	<b>1,611,514</b>
* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.			
The information on this schedule provides a listing of service provider contracts entered into by the Department of Health and Human Services (DHHS) as described in Note 3 - Funding From Grant Awards.			



***Wilson 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
<b>State Awards:</b>			
North Carolina Department of Health and Human Services			
Division of Child Development			
Pass-through from the North Carolina Partnership for Children, Inc.			
Early Childhood Initiatives Program (Prior Year)	Various	\$ (104,102)	\$ 0
Early Childhood Initiatives Program (Current Year)	* 1-01-3-11-001	1,245,799	1,190,508
Early Childhood Initiative Program (Encumbrances)	1-01-3-11-001E	24,356	24,356
Multi-County Accounting and Contracting Grant	N/A	12,000	12,000
<b>Total State Awards</b>		<b>\$ 1,178,053</b>	<b>\$ 1,226,864</b>

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

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

***Schedule 4***

Furniture and Non-Computer Equipment	\$	24,090
Computer Equipment/Printers		20,184
Buildings		133,995
Leasehold Improvements		12,127
<b>Total Property and Equipment</b>	<b>\$</b>	<b>190,396</b>

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year end. On the regulatory basis of accounting, these items are expensed in the year purchased.

**Wilson 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:**

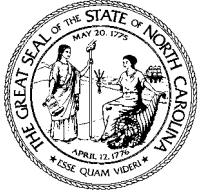
Cash	\$ 35,223
In-Kind Goods and Services	56,105
	<u>\$ 91,328</u>

**Match Provided at the Contractor Level:**

Cash	\$ 227,021
In-Kind Goods and Services	35,649
	<u>\$ 262,670</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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Ralph Campbell, Jr.  
State Auditor

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

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Board of Directors  
Wilson County Partnership for Children  
Wilson, North Carolina

We have audited the financial statements of the Wilson County Partnership for Children (Wilson Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated May 2, 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 Wilson Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests, which are reported in the Audit Findings and Recommendations section of this report, disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*.

**Finding**

2. Competitive Bidding

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wilson 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

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

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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 reporting that, in our judgment, could adversely affect the Wilson 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
  
3. 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, of the reportable conditions described above, we consider the following to be a material weakness:

1. Contract Management and Monitoring

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

May 2, 2002

## **AUDIT FINDINGS AND RECOMMENDATIONS**

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### **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 AND MONITORING

We reported in the previous year that the Wilson Partnership did not have an adequate contract management/monitoring system in place. Weaknesses identified included the lack of written policies and procedures for contract management and monitoring, inadequate contract agreements for the quality enhancement grants, and limited evidence to support the monitoring of contract activities.

*This finding is partially resolved.* The Partnership adopted contract management and monitoring policies late in the fiscal year. However, our testwork continued to identify errors with the quality enhancement grants including a lack of documentation to support grant award amounts, overpayment of award amounts, and prepayments of at least \$66,800 for goods and services not received before year-end. While improvements were noted with the monitoring of Direct Service Provider activities, the above errors reinforce the need for improved oversight and monitoring for quality improvement activities.

*Recommendation:* We recommend that the Wilson Partnership further refine its contract management and monitoring procedures to ensure that grant criteria are established and followed, procedures are established that prohibit the prepayment of goods and services, and documented monitoring activities verify compliance with grant terms.

*Partnership's Response:* The Wilson County Partnership for Children will clearly define their Quality Enhancement Awards Program in accordance with stipulations given them by the North Carolina Partnership for Children and/or the General Assembly of North Carolina and accounting entries will be separated so that we can ascertain the true value of any grant award. The Wilson County Partnership for Children will not purchase any items or goods that cannot be fully operational prior to the end of the fiscal year in which it was purchased.

#### 2. COMPETITIVE BIDDING

We identified in the prior year audit that documentation was not available to support the Wilson Partnership's compliance with the competitive bidding requirements.

## **AUDIT FINDINGS AND RECOMMENDATIONS (CONTINUED)**

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*This finding is unresolved.* We continued to note instances where documentation to support compliance with the competitive bidding requirements was not available for the purchase of goods and services.

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

*Partnership's Response:* The Wilson County Partnership for Children will maintain and document the appropriate information in accordance with guidelines established by the North Carolina Partnership for Children and/or statutory guidelines. Our MAC site Accounting Manager will conduct a workshop for the staff to ascertain that we are knowledgeable about the competitive bidding guidelines in September, 2002, and no payments will be authorized by the Executive Director unless the documentation is complete and accurate.

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

### 3. INTERNAL CONTROL PROCEDURES

Our testwork identified weaknesses in the Wilson Partnership's internal control processes including:

- The development and implementation of policies and procedures was not completed until the next fiscal year.
- Inadequate segregation of duties as the Fiscal Coordinator was involved in all aspects of the receipting process.
- Processing errors included purchase orders not available for review, authorization for transactions missing or not timely, and payments not supported by original documentation.

*Recommendation:* We recommend that the Wilson Partnership continue with its development and implementation of financial policies and procedures. Those policies should provide procedures that properly segregate all accounting functions including the receipting process. Guidance should also address documenting the disbursement process including the purchase, authorization, and payment for goods and services.



## **AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)**

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*Partnership's Response:* The Wilson County Partnership for Children has segregated duties related to the receipting of financial instruments and formally adopted at an August 5, 2002, Staff Meeting. An actual flow chart diagram was developed with current staff members being assigned specific duties. All original documentation for any goods and services will be maintained in the Office of Fiscal Coordinator and no purchase(s) will be made without the appropriate original documentation, compliance with bidding requirements, purchase orders, authorization for purchase transactions and must be completed in a timely manner.

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In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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August 20, 2002

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