



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF COLUMBUS COUNTY PARTNERSHIP FOR CHILDREN, INCORPORATED

WHITEVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF
COLUMBUS COUNTY PARTNERSHIP FOR CHILDREN, INCORPORATED
WHITEVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2001

BOARD OF DIRECTORS
AMON MCKENZIE, CHAIRMAN



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.osa.state.nc.us>

AUDITOR'S TRANSMITTAL

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

This report presents the results of our financial statement audit of the Columbus County Partnership for Children, Incorporated (Columbus 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 Columbus 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 Columbus 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 Columbus Partnership is one of these local partnerships. As such, the Columbus 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 Columbus 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. Control Environment
2. Contract Management and Monitoring
3. Authorizing and Processing of Transactions

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

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
EXHIBITS	
A - Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis.....	3
B - Statement of Functional Expenditures - Regulatory Basis.....	4
Notes to the Financial Statements.....	5
SUPPLEMENTARY SCHEDULES	
1 Schedule of Contract and Grant Expenditures - Regulatory Basis	9
2 Schedule of State Level Service Provider Contracts	10
3 Schedule of State Awards - Regulatory Basis	11
4 Schedule of Property and Equipment.....	12
5 Schedule of Qualifying Match	13
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 <i>GOVERNMENT AUDITING STANDARDS</i>	15
AUDIT FINDINGS AND RECOMMENDATIONS	17
DISTRIBUTION OF AUDIT REPORT	21



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA

Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.osa.state.nc.us>

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Columbus County Partnership for Children, Incorporated
Whiteville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Columbus County Partnership for Children, Incorporated (Columbus 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 Columbus 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 Columbus County Partnership for Children, Incorporated 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 AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2002 on our consideration of the Columbus Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Columbus County Partnership for Children, Incorporated 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 15, 2002

Columbus County Partnership for Children, Incorporated
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 \$21,852)	\$ 1,502,073	\$ 11,964	\$ 0	\$ 1,514,037
Private Contributions		347	2,500	2,847
Interest and Investment Earnings		831		831
Other Receipts		240		240
Total Receipts	1,502,073	13,382	2,500	1,517,955
Expenditures:				
Programs:				
Child Care and Education Quality	337,010			337,010
Child Care and Education Affordability	700,218			700,218
Health and Safety	92,439	67		92,506
Family Support	181,556			181,556
Support:				
Management and General	134,119	11,801		145,920
Program Evaluation	28,731			28,731
Other:				
Sales Tax Paid		1,884		1,884
Refund of Prior Year Grant		154		154
Total Expenditures	1,474,073	13,906	0	1,487,979
Excess of Receipts Over Expenditures	28,000	(524)	2,500	29,976
Net Assets at Beginning of Year	26,820	9,786	0	36,606
Net Assets at End of Year	\$ 54,820	\$ 9,262	\$ 2,500	\$ 66,582
Net Assets Consisted of:				
Cash on Deposit	\$ 41,248	\$ 9,262	\$ 2,500	\$ 53,010
Refunds Due From Contractors	13,572			13,572
	\$ 54,820	\$ 9,262	\$ 2,500	\$ 66,582

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

***Columbus County Partnership for Children, Incorporated
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	337,010							337,010	
Child Care and Education Affordability	700,218							700,218	
Health and Safety	92,439							92,439	
Family Support	181,556			269				181,287	
	1,311,223	0	0	269	0	0	0	1,310,954	0
Support:									
Management and General	134,119	17,299	17,464	13,103	25,953	47,145	13,155		
Program Evaluation	28,731	28,338			409	(16)			
	162,850	45,637	17,464	13,103	26,362	47,129	13,155	0	0
Total Smart Start Fund Expenditures	1,474,073	45,637	17,464	13,372	26,362	47,129	13,155	1,310,954	0
Other Funds:									
Programs:									
Health and Safety	67	0	41	0	26	0	0	0	0
Support:									
Management and General	11,801	2,458	7,042	(69)	0	2,370	0	0	0
Other:									
Sales Tax Paid	1,884			1,884					
Refund of Prior Year Grant	154				154				
	2,038	0	0	1,884	154	0	0	0	0
Total Other Funds Expenditures	13,906	2,458	7,083	1,815	180	2,370	0	0	0

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Columbus County Partnership for Children, Incorporated (Columbus Partnership) is a legally separate nonprofit organization incorporated on May 7, 1996. The Columbus Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Columbus 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 Columbus 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 Columbus 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 (CONCLUDED)

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.

NOTE 2 - DEPOSITS

All funds of the Columbus 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 Columbus Partnership to a concentration of credit risk. At June 30, 2001, the Columbus Partnership's bank deposits in excess of the FDIC insured limit was \$42,025.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Columbus 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 Columbus 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 are presented on Schedule 2 accompanying the financial statements.

The Columbus Partnership was awarded and has received \$1,523,889 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 \$47,275 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2001.

NOTES TO THE FINANCIAL STATEMENT (CONCLUDED)

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 Columbus Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Columbus 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:

A. Program Functions

Child Care and Education Quality - Used to account for service activities including early education enhancement programs, child care resource and referral, professional development, and health and safety training for child care professionals.

Child Care and Education Affordability - Used to account for service activities including eliminating the waiting list and public preschool classes.

Health and Safety - Used to account for service activities including dental screenings, outreach nurses, and transportation to health services.

Family Support - Used to account for service activities including a family resource center, general family support, family literacy, and community playgrounds.

NOTES TO THE FINANCIAL STATEMENT (CONCLUDED)

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.

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	\$ 588
2003	21,288
2004	147
Total Minimum Lease Payments	\$ <u>22,023</u>

Total rental expenditure for all operating leases was \$46,749 for the year ended June 30, 2001.

NOTE 7 - RESTRICTIONS ON NET ASSETS

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

<u>Purpose</u>	<u>Amount</u>
CP&L Grant – Programmatic Needs	\$ <u>2,500</u>

Columbus County Partnership for Children, Incorporated
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
American Red Cross	14,625			
Columbus County	*	42,000 (159)		
Columbus County Health Department	*	100,040		
Columbus County Public Schools	*	119,802		
Family Champions Family Resource Center		14,456		
Southeastern Child Care Resource and Referral	*	866,714 (13,354)		
Southeastern Community College	*	52,389 (59)		
Various Playground Grants		114,500		
	1,324,526	(13,572)	0	0

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

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

Schedule 2

Organization Name		DHHS Contracts	
Child Care Services Association - WAGES Program		61,775	
* 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.			

Columbus County Partnership for Children, Incorporated
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)	1-90-4-04-001	\$ (21,816)	\$ (161)
Early Childhood Initiatives Program (Current Year)	* 1-01-4-04-001	1,523,889	1,474,234
Multi-County Accounting and Contracting Grant (Prior Year)		(36)	0
Multi-County Accounting and Contracting Grant (Current Year)		12,000	9,500
Total State Awards		\$ 1,514,037	\$ 1,483,573
* Programs with compliance requirements that have a direct and material effect on the financial statement.			

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

Schedule 4

	Furniture and Non-Computer Equipment	\$	11,937
	Computer Equipment/Printers		11,478
	Leasehold Improvements		1,365
	Total Property and Equipment	\$	24,780
	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.		

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

Schedule 5

Match Provided at the Partnership Level:

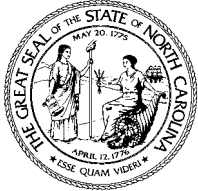
Cash	\$ 2,732
In-Kind Goods and Services	1,497
	<u>\$ 4,229</u>

Match Provided at the Contractor Level:

Cash	\$ 64,821
In-Kind Goods and Services	109,117
	<u>\$ 173,938</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.

[This Page Left Blank Intentionally]



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.osa.state.nc.us>

**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
Columbus County Partnership for Children, Incorporated
Whiteville, North Carolina

We have audited the financial statements of the Columbus County Partnership for Children, Incorporated (Columbus Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated February 15, 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 Columbus 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 Columbus Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the

**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)**

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 Columbus 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. Control Environment
2. Contract Management and Monitoring
3. Authorizing and Processing of Transactions

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

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



Ralph Campbell, Jr.
State Auditor

February 15, 2002

AUDIT FINDINGS AND RECOMMENDATIONS

Matters Related to Financial Reporting

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

1. CONTROL ENVIRONMENT

The Columbus Partnership Board has not effectively addressed issues related to its control environment including staffing, board development, and policies and procedures. Conditions noted for the year ended June 30, 2001 included:

- Our review of board minutes noted difficulties in obtaining the necessary quorum for conducting business. References to executive committee meetings were not supported by committee minutes.
- The Partnership had difficulties in obtaining and retaining staff to handle its daily operations. The Partnership essentially operated without an Executive Director during the entire year. High turnover in staff resulted in the use of temporary employees throughout the year.
- Policies and procedures being used by the Partnership are in need of major revisions.

Weaknesses in the control environment affect the Columbus Partnership's ability to achieve its goals and objectives.

Recommendation: We recommend that the Board take appropriate action to address the issues of Board quorums and documentation of Board activities. Policies and procedures should be developed that provide the framework for the operations of the Partnership.

Partnership's Response: The Columbus County Board of Directors has taken action to address issues related to staffing, board development, and policies and procedures during the 2001-2002 year. More specifically all staff positions have been filled, the use of proxies have been eliminated, By-Laws and policies and procedures have been reviewed and revised.

2. CONTRACT MANAGEMENT AND MONITORING

The Columbus Partnership did not have an adequate contract management and monitoring system in place resulting in the following errors:

- Pre-K playground grants were provided to child-care providers who failed to submit all of the required documentation.

AUDIT FINDINGS AND RECOMMENDATIONS (CONTINUED)

- Payments were made to day care providers that did not have signed agreements with the Partnership.
- There was no documentation to support site visits or other monitoring activities of the Partnership.

Recommendation: We recommend that the Columbus Partnership adopt and implement contract management and monitoring policies. A system should be established where grant criteria are established, assurances are obtained that those criteria are met prior to the awarding of funds, signed agreements are maintained, and documented monitoring activities take place to ensure the appropriate expenditure of funds.

Partnership's Response: The Board has addressed this issue by hiring appropriate staff (program evaluator and coordinator). Furthermore, the Board adopted direct service provider monitoring policies at its February 2002 meeting.

3. AUTHORIZING AND PROCESSING OF TRANSACTIONS

We identified significant deficiencies in the Partnership's authorizing and processing of transactions. Deficiencies noted included:

- Segregation of duties was inadequate for the receipting of funds. The administrative officer was responsible for opening mail, logging receipt items, preparing the deposit, and making the deposit.
- Approvals were not always found on supporting documentation. Other processing procedures such as invoice verification and document cancellation were not evidenced. In addition, we noted payments by the Partnership that had signatures of unauthorized check signers.
- We noted instances where the Partnership prepaid activities related to the 2002 fiscal year. Prepayment items included one year's office rent, temporary services, and playground grant activities.

Recommendation: We recommend that the Columbus Partnership take immediate action to segregate the receipting function. No one person should be provided oversight of the collection, recording, and depositing of receipt items. Financial policies should address proper segregation of functions as well as the processing of transactions. Procedures should detail the authorization function, verification of funds availability, and cancellation of supporting documentation. Partnership policies should prevent the prepayment for goods and/or services in accordance with the fiscal accountability policies issued by the North Carolina Partnership for Children, Inc.

AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)

Partnership's Response: The Board of Directors has addressed with new staffing. Adequate staff is in place to properly segregate and document. Prepayment is addressed in the Revised Fiscal Policies and procedures.

[This Page Left Blank Intentionally]

DISTRIBUTION OF AUDIT REPORT

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

EXECUTIVE BRANCH

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

LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

Senator Marc Basnight, Co-Chairman	Representative James B. Black, Co-Chairman
Senator Charlie Albertson	Representative Martha B. Alexander
Senator Frank W. Ballance, Jr.	Representative Flossie Boyd-McIntyre
Senator Charles Carter	Representative E. Nelson Cole
Senator Daniel G. Clodfelter	Representative James W. Crawford, Jr.
Senator Walter H. Dalton	Representative William T. Culpepper, III
Senator James Forrester	Representative W. Pete Cunningham
Senator Linda Garrou	Representative Beverly M. Earle
Senator Wilbur P. Gulley	Representative Ruth M. Easterling
Senator Kay R. Hagan	Representative Stanley H. Fox
Senator David W. Hoyle	Representative R. Phillip Haire
Senator Ellie Kinnaird	Representative Dewey L. Hill
Senator Howard N. Lee	Representative Mary L. Jarrell
Senator Jeanne H. Lucas	Representative Maggie Jeffus
Senator R. L. Martin	Representative Larry T. Justus
Senator William N. Martin	Representative Edd Nye
Senator Stephen M. Metcalf	Representative Warren C. Oldham
Senator Fountain Odom	Representative William C. Owens, Jr.
Senator Aaron W. Plyler	Representative E. David Redwine
Senator Eric M. Reeves	Representative R. Eugene Rogers
Senator Dan Robinson	Representative Drew P. Saunders
Senator Larry Shaw	Representative Wilma M. Sherrill
Senator Robert G. Shaw	Representative Ronald L. Smith
Senator R. C. Soles, Jr.	Representative Joe P. Tolson
Senator Ed N. Warren	Representative Gregg Thompson
Senator David F. Weinstein	Representative Russell E. Tucker
Senator Allen H. Wellons	Representative Thomas E. Wright
	Representative Douglas Y. Yongue

DISTRIBUTION OF AUDIT REPORT (CONCLUDED)

Other Legislative Officials

Representative Philip A. Baddour, Jr.
Senator Anthony E. Rand
Senator Patrick J. Ballantine
Representative N. Leo Daughtry
Representative Joe Hackney
Mr. James D. Johnson

Majority Leader of the N.C. House of Representatives
Majority Leader of the N.C. Senate
Minority Leader of the N.C. Senate
Minority Leader of the N.C. House of Representatives
N. C. House Speaker Pro-Tem
Director, Fiscal Research Division

June 5, 2002

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Internet: <http://www.ncauditor.net>

Telephone: 919/807-7500

Facsimile: 919/807-7647