



STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT AUDIT REPORT OF
GUILFORD COUNTY PARTNERSHIP FOR CHILDREN, INC.
GREENSBORO, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2001**

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

**FINANCIAL STATEMENT AUDIT REPORT OF
GUILFORD COUNTY PARTNERSHIP FOR CHILDREN, INC.**

GREENSBORO, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

BOARD OF DIRECTORS

CAROL D. HOWARD, BOARD CHAIR

ADMINISTRATIVE OFFICER

JEAN GOODMAN, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

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AUDITOR'S TRANSMITTAL

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

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

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.

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

Board of Directors
Guilford County Partnership for Children, Inc.
Greensboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Guilford County Partnership for Children, Inc. (Guilford 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 Guilford 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 Guilford County Partnership for Children, Inc. 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 May 2, 2002 on our consideration of the Guilford 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)

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 Guilford County Partnership for Children, Inc. 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

Guilford County Partnership for Children, Inc.

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 \$2,022,239)	\$ 5,561,688	\$ 12,000	\$ 0	\$ 5,573,688
Local Awards		66,666		66,666
Private Contributions		70,007		70,007
Interest and Investment Earnings		7,946		7,946
Sales Tax Refunds		10,068		10,068
Total Receipts	5,561,688	166,687		5,728,375
Expenditures:				
Programs:				
Child Care and Education Quality	5,325,947	66,667		5,392,614
Child Care and Education Accessibility and Availability	236,506			236,506
Child Care and Education Affordability	39,751			39,751
Health and Safety	884,522			884,522
Family Support	751,317			751,317
Support:				
Management and General	324,377	18,686		343,063
Other:				
Sales Tax Paid	153	35,283		35,436
Total Expenditures	7,562,573	120,636		7,683,209
Excess of Receipts Over Expenditures	(2,000,885)	46,051		(1,954,834)
Net Assets at Beginning of Year	2,022,381	149,630	576	2,172,587
Net Assets at End of Year	\$ 21,496	\$ 195,681	\$ 576	\$ 217,753
Net Assets Consisted of:				
Cash on Deposit	\$ 2,655	\$ 195,681	\$ 576	\$ 198,912
Refunds Due From Contractors	18,841			18,841
	\$ 21,496	\$ 195,681	\$ 576	\$ 217,753

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

Guilford County Partnership for Children, Inc.
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	5,325,947	378,183	16,590	21,285	59,308	21,858	0	4,810,508	18,215
Child Care and Education Accessibility and Availability	236,506							236,506	
Child Care and Education Affordability	39,751							39,751	
Health and Safety	884,522							884,522	
Family Support	751,317							751,317	
	7,238,043	378,183	16,590	21,285	59,308	21,858		6,722,604	18,215
Support:									
Management and General	324,377	184,311	25,174	9,435	26,972	37,301	19,601	20,983	600
Other:									
Sales Tax Paid	153			153					
Total Smart Start Fund Expenditures	7,562,573	562,494	41,764	30,873	86,280	59,159	19,601	6,743,587	18,815
Other Funds:									
Programs:									
Child Care and Education Quality	66,667	66,392			275				
Support:									
Management and General	18,686	12,000						6,686	
Other:									
Sales Tax Paid	35,283			35,283					
Total Other Funds Expenditures	120,636	78,392	0	35,283	275	0	0	6,686	0

GUILFORD COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - DEPOSITS

All funds of the Guilford 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 Guilford Partnership to a concentration of credit risk. At June 30, 2001, the Guilford Partnership's bank deposits in excess of the FDIC insured limit was \$1,573,894.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

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

The Guilford Partnership was awarded and has received \$7,583,927 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 \$18,841 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2001.

The Partnership expects to receive continued funding through new Smart Start contracts with the State.

NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Guilford Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Guilford 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 program upgrade projects, child care resource and referral, professional development, child care substitutes, provider training, special needs training for child care professionals, curriculum enhancement, and school readiness programs.

Child Care and Education Accessibility and Availability - Used to account for service activities including increase child care spaces, outreach materials, and information and resources.

Child Care and Education Affordability - Used to account for service activities associated with child care coordinator.

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

NOTES TO THE FINANCIAL STATEMENT (CONCLUDED)

Family Support - Used to account for service activities including parenting education, general family support, family crisis intervention, special needs – family support, and literacy projects.

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.

NOTE 6 - PENSION PLAN

The Guilford Partnership has a Simplified Employee Pension (SEP) plan covering all full-time employees. Each full-time employee of the Guilford Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Guilford Partnership contributed 7% of gross wages for the year ended June 30, 2001. The Guilford 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 Guilford Partnership had a total payroll of \$520,862, all of which was covered under the plan. The Partnership contributed \$36,460 for pension benefits during the year.

IRC Section 403(b) - All permanent employees who are at least half-time can participate in a tax sheltered annuity plan created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. All costs of administering and funding this plan are the responsibility of the plan. No costs are incurred by the Guilford Partnership. The voluntary contributions by employees amounted to \$20,589 during 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:

Purpose	Amount
Family Support Project – Duke Power	\$ 576

Guilford County Partnership for Children, Inc.
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
Alcohol and Drug Services of Guilford, Inc.	89,970			
Developmental Day Care Program, Inc.	103,575			
Early Childhood Center, Inc.	62,068			
East Green Daycare Center	61,253			
Family Life Council of Greater Greensboro, Inc.	118,514			
Family Service of the Piedmont	479,035			
Family Support Network of Greater Greensboro	34,165			
Famli First, Inc.	* 100,000			
Grace Christian Child Care	60,770			
Green Hill Center for North Carolina Art	10,750			
Guilford County Area Mental Health, Developmental Disabilities and Substance Abuse Authority	* 154,560	(474)		
Guilford County Coalition on Infant Mortality	47,200			
Guilford County Department of Public Health	* 621,111	(18,367)		
Guilford County Department of Social Services	* 39,751			
Guilford County Public Schools	* 899,720			
Guilford Technical Community College	* 485,926			
Harmony House Preschool, Inc.	45,030			
Hester's Creative Schools, Inc.	74,074			
High Point Public Library	* 74,545			
High Point Regional Health System	2,210			
Jesus Christ & Roberta Bridges Daycare Center	46,147			
K.I.D.S., Inc.	53,198			
Kid Appeal Learning Center	46,030			
Partner's in Childcare, Inc.	58,553			
Ruggles St. Learning Center, Inc.	51,323			
Solomon's World	46,301			
The ARC of High Point	* 71,720			
The Children's Corner/Moses Cone Health System	67,193			
The Children's Home Society of North Carolina	80,000			
The Sunshine House, Inc.	62,402		101	
United Child Development Services, Inc.	* 1,668,546			
United Services for Older Adults, Inc.	5,000			
Various Day Care Providers	925,003		6,585	
	6,745,643	(18,841)	6,686	0
Individuals:				
Reach for the Stars Bonus Awards	16,785			
	6,762,428	(18,841)	6,686	0

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

Guilford County Partnership for Children, Inc.
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	582,000
Guilford County Department of Social Services	1,603,312
	2,185,312
<p>* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.</p>	
<p>The information on this schedule provides a listing of service provider contracts entered into by the Department of Health and Human Services (DHHS) as described in Note 3 - Funding From Grant Awards.</p>	

Guilford County Partnership for Children, Inc.
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)	* #1-90-4-06-001	\$ (2,022,239)	\$ (2,513)
Early Childhood Initiatives Program (Current Year)	#1-01-4-06-001E	92,000	92,000
Early Childhood Initiatives Program (Current Year)	* #1-01-4-06-001	7,491,927	7,473,086
Multi-Partnership Accounting and Contracting Grant	N/A	12,000	12,000
Total State Awards		\$ 5,573,688	\$ 7,574,573
* Programs with compliance requirements that have a direct and material effect on the financial statement.			

Guilford County Partnership for Children, Inc.

Schedule of Property and Equipment

For the Year Ended June 30, 2001

Schedule 4

	Furniture and Non-Computer Equipment	\$	19,394
	Computer Equipment/Printers		<u>12,122</u>
	Total Property and Equipment	\$	<u>31,516</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.		

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

Schedule 5

Match Provided at the Partnership Level:

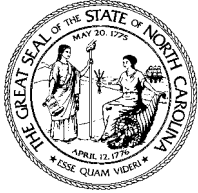
Cash	\$ 136,673
In-Kind Goods and Services	99,268
	<u>\$ 235,941</u>

Match Provided at the Contractor Level:

Cash	\$ 2,090,130
In-Kind Goods and Services	557,315
	<u>\$ 2,647,445</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.
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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
Guilford County Partnership for Children, Inc.
Greensboro, North Carolina

We have audited the financial statements of the Guilford County Partnership for Children, Inc. (Guilford 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 Guilford 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 Guilford 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

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

reporting that, in our judgment, could adversely affect the Guilford 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 and Monitoring

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.

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

Matters Related to Financial Reporting

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

CONTRACT MANAGEMENT AND MONITORING

We noted deficiencies in the contract management and monitoring system of the Guilford County Partnership for Children, Inc. that include the following:

- There were no written contract management and monitoring procedures.
- Documentation to support the programmatic monitoring of the Reach for the Stars grants was limited or not available.
- Payments related for the Reach for the Stars grants exceeded budgeted amounts.

The achievement of the Partnership's goals is dependent on the effectiveness of its contract management system and its monitoring of contractor performance.

Recommendation: We recommend that the Partnership develop and implement contract management and monitoring policies and procedures. These procedures should address the documentation of programmatic monitoring activities and the verification that payments are made in accordance with established criteria.

Partnership's Response: Our response to the three points in your finding follow:

1. There were no written contract management and monitoring procedures.

A written Policy for Monitoring and Evaluating Activities and Contracts was adopted by the Board on May 21, 2002, and interim procedures were adopted for the remainder of the 2001-02 fiscal year. Combining individual Board actions and policies into a single comprehensive set of policies and procedures will be a priority for the 2002-03 fiscal year.

2. Documentation to support the programmatic monitoring of the Reach for the Stars grants was limited or not available.

The Partnerships policies and monitoring of Reach for the Stars purchases was based on the incorrect assumption that they were not grants or entitlements. The Partnership

AUDIT FINDINGS AND RECOMMENDATIONS (CONTINUED)

has viewed materials and equipment for participants as in-house purchases to help the centers and homes increase quality of care and as a complement to on-site technical assistance. Detailed procedures were in place to assure a fair process of allocation.

However, emphasis was placed on meeting each center or home at the point that they entered the program and providing an individualized plan of technical assistance and purchases based on the environmental rating scales. Service logs indicate that every center and home was visited weekly by a Partnership for Children Program Assistant and the assistance that was provided at each session. Assistance included placement of materials and equipment in the center or home for optimal benefit. Materials were used to model best practices of interacting with the children. If materials were not present or not being used for the purpose for which they were intended, Program Assistants worked with the providers to correct that situation. Before and after pictures showed how purchases contributed to better room arrangement, more effective learning centers, etc.

Monitoring forms have been developed that require specific documentaiton that materials and equipment are present and being used for the purpose of which they were intended. Program Assistants will complete the forms for each classroom and family child cared home that participated in Reach for the Stars during 2001-02. Because purchases are based on enviromental rating scale scores, the final assessment of whether materials and equipment are effective occurs when centers and homes are assessed by the State for additional stars on their license.

3. Payments related for the Reach for the Stars grants exceeded budgeted amounts.

The amount budgeted for Reach for the Stars purchases was based on an estimate of how much money would be needed to raise the quality of care in a classroom scored within certain ranges on the environmental rating scale. However, that amount was meant to be a budgeting tool and general guide. The needs of each classroom were not known at the time participant agreements were signed. If purchases would not correct enviromental rating scale weaknesses, it was asumed that purchases would not be made. If classroom space was limited or the program was not ready to assimilate additional materials, purchases were not made. In these cases, the money was applied to other classrooms that needed additional money. The additional need was documented by enviromenttal rating scale scores. Forms for budget transfers were submitted to the Executive Director for approval and then routed to the Finance Manager to amend the budget/expenditures spreadsheets.

In the future the Partnership will manage and monitor Reach for the Stars purchases as grants. The Board will approve criteria for award of the grants. The Board also will approve the grantees and the amount available to them. Expenditures for Reach for the Stars participants for FY 2001-02 were approved by the Board as non-cash grants on May 21, 2002.

I believe that the Guilford County Partnership for Children Board and staff have been diligent in assuring that our money has been spent in an accountable way that leads to good programmatic outcomes. We acknowledge that documentation of what we are doing can be improved and will take measures to assure that happens in the future.

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July 22, 2002

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