



# STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT AUDIT REPORT OF**

**ALAMANCE PARTNERSHIP FOR CHILDREN**

**BURLINGTON, NORTH CAROLINA**

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

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**ALAMANCE PARTNERSHIP FOR CHILDREN**

**BURLINGTON, NORTH CAROLINA**

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

**BOARD OF DIRECTORS**

**JEROME B. TAYLOR, CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**CAROLE S. TARRY, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
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, Alamance Partnership for Children

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

Policies and Procedures

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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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Alamance Partnership for Children  
Burlington, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Alamance Partnership for Children (Alamance 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 Alamance 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 Alamance 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 November 2, 2001 on our consideration of the Alamance 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.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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

November 2, 2001

**Alamance Partnership for Children**

**Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis  
For the Year Ended June 30, 2001**

**Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards (less refunds of \$430,767)	\$ 1,503,299	\$ 12,000	\$ 0	\$ 1,515,299
Private Contributions		6,420	7,000	13,420
Interest and Investment Earnings		5,668		5,668
Sales Tax Refunds		3,578		3,578
Other Receipts		10		10
<b>Total Receipts</b>	<b>1,503,299</b>	<b>27,676</b>	<b>7,000</b>	<b>1,537,975</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		9,996	(9,996)	
	<b>1,503,299</b>	<b>37,672</b>	<b>(2,996)</b>	<b>1,537,975</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	1,038,300	2,663		1,040,963
Child Care and Education Accessibility and Availability	90,525	4,539		95,064
Child Care and Education Affordability	261,943			261,943
Health and Safety	172,525			172,525
Family Support	101,382	9,996		111,378
Support:				
Management and General	122,212	12,000		134,212
Program Evaluation	16,000			16,000
Program Coordination	35,685			35,685
Other:				
Sales Tax Paid		10,531		10,531
<b>Total Expenditures</b>	<b>1,838,572</b>	<b>39,729</b>		<b>1,878,301</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(335,273)</b>	<b>(2,057)</b>	<b>(2,996)</b>	<b>(340,326)</b>
<b>Net Assets at Beginning of Year</b>	<b>430,767</b>	<b>6,398</b>	<b>3,171</b>	<b>440,336</b>
<b>Net Assets at End of Year</b>	<b>\$ 95,494</b>	<b>\$ 4,341</b>	<b>\$ 175</b>	<b>\$ 100,010</b>
<b>Net Assets Consisted of:</b>				
Cash on Deposit	\$ 68,964	\$ 4,341	\$ 175	\$ 73,480
Refunds Due From Contractors	26,530			26,530
	<b>\$ 95,494</b>	<b>\$ 4,341</b>	<b>\$ 175</b>	<b>\$ 100,010</b>

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



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

***Exhibit B***

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating 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	1,038,300	62,540	41,049	5,881	15,123	8	1,253	912,446	
Child Care and Education Accessibility and Availability	90,525				250			90,275	
Child Care and Education Affordability	261,943							261,943	
Health and Safety	172,525							172,525	
Family Support	101,382							101,382	
	<b>1,664,675</b>	<b>62,540</b>	<b>41,049</b>	<b>5,881</b>	<b>15,373</b>	<b>8</b>	<b>1,253</b>	<b>1,538,571</b>	<b>0</b>
<b>Support:</b>									
Management and General	122,212	69,401	22,297	11,714	11,683	3,475	3,642		
Program Evaluation	16,000		16,000						
Program Coordination	35,685	31,944	53	260	3,133		295		
	<b>173,897</b>	<b>101,345</b>	<b>38,350</b>	<b>11,974</b>	<b>14,816</b>	<b>3,475</b>	<b>3,937</b>	<b>0</b>	<b>0</b>
<b>Total Smart Start Fund Expenditures</b>	<b>1,838,572</b>	<b>163,885</b>	<b>79,399</b>	<b>17,855</b>	<b>30,189</b>	<b>3,483</b>	<b>5,190</b>	<b>1,538,571</b>	<b>0</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	2,663							627	2,036
Child Care and Education Accessibility and Availability	4,539		4,539						
Family Support	9,996				48	9,948			
	<b>17,198</b>	<b>0</b>	<b>4,539</b>	<b>0</b>	<b>48</b>	<b>9,948</b>	<b>0</b>	<b>627</b>	<b>2,036</b>
<b>Support:</b>									
Management and General	12,000	10,635	1,365	0	0	0	0	0	0
<b>Other:</b>									
Sales Tax Paid	10,531	0	0	10,531	0	0	0	0	0
<b>Total Other Funds Expenditures</b>	<b>39,729</b>	<b>10,635</b>	<b>5,904</b>	<b>10,531</b>	<b>48</b>	<b>9,948</b>	<b>0</b>	<b>627</b>	<b>2,036</b>

**ALAMANCE 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 Alamance Partnership for Children (Alamance Partnership) is a legally separate nonprofit organization incorporated on September 16, 1994. The Alamance Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Alamance 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 Alamance 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 Alamance 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 STATEMENTS (CONTINUED)

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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 Alamance 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 Alamance Partnership to a concentration of credit risk. At June 30, 2001, the Alamance Partnership's bank deposits in excess of the FDIC insured limit was \$126,089.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Alamance 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 Alamance 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 Alamance Partnership was awarded and has received \$1,934,066 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 \$95,494 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2001. As allowed by program regulation, the unexpended balance of the current year contract is available for carry-forward to the subsequent year based on approved service plans by NCPC.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 Alamance Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Alamance 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, salary supplements, T.E.A.C.H. support, child care provider support, health and safety intervention in child care, and school readiness programs.

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

**Child Care and Education Affordability** - Used to account for service activities including public preschool classes, scholarship program, supplement for quality, and transportation to child care.

**Health and Safety** - Used to account for service activities including dental screenings, prenatal/newborn services, outreach nurses, and comprehensive health support.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**Family Support** - Used to account for service activities including teen parent/child program, general family support, support services for children in crisis, and family literacy.

### 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 record keeping, 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.

### NOTE 6 - PENSION PLAN

Effective January 1, 2001 the Alamance Partnership established a Simplified Employee Pension (SEP) plan covering employees. Each employee of the Alamance Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Alamance Partnership contributed 10% of gross wages for the year ended June 30, 2001. The Alamance Partnership does not own the accounts nor is liable for any other cost other than the required contribution.

From January 1, 2001 to June 30, 2001, the Alamance Partnership had a total payroll of \$83,676, all of which was covered under the plan. The Partnership contributed \$8,368 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 Alamance Partnership. The voluntary contributions by employees amounted to \$2,353 during the year ended June 30, 2001.

**NOTE 7 - RESTRICTIONS ON NET ASSETS**

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

<u>Purpose</u>	<u>Amount</u>
Family Literacy	<u>\$ 175</u>

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

<u>Purpose</u>	<u>Amount</u>
Family Literacy	<u>\$ 9,996</u>

***Alamance 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
Alamance County Health Department	*	128,374	(12,801)	
Alamance County Library System	*	39,135	(861)	
Alamance County School System	*	73,695		
Alamance County Transportation Services	*	25,719	(2,498)	
Alamance Development Center	*	18,383		
Alamance Developmental Services	*	90,340	(65)	
Catholic Social Ministries		15,458	(1,028)	
Child Care Resource and Referral of Alamance County	*	73,888	(3,955)	
Family Abuse Services		123,814	(5,322)	
Family Center of Alamance		57,683		
Various Day Care Providers		691,293		627
Volunteer Families for Children		43,699		
Women's Resource Center		42,522		
		<b>1,424,003</b>	<b>(26,530)</b>	<b>627</b>
				<b>0</b>
<b>Individuals:</b>				
Scholarships/Bonus Awards		<b>141,098</b>	<b>0</b>	<b>0</b>
		<b>1,565,101</b>	<b>(26,530)</b>	<b>627</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.

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

***Schedule 2***

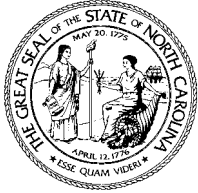
<b>Organization Name</b>		<b>DHHS Contracts</b>	
Alamance County Department of Social Services	*	<b>521,404</b>	
<p>*These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.</p>			
<p>The information on this schedule 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>			



<b>Alamance Partnership for Children</b>			
<b>Schedule of State Awards - Regulatory Basis</b>			
<b>For the Year Ended June 30, 2001</b>			
			<i>Schedule 3</i>
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)	* 1-90-5-01-001	\$ (430,767)	\$ 0
Early Childhood Initiatives Program (Current Year)	* 1-01-5-01-001	1,840,388	1,744,894
Early Childhood Initiatives Program (Current Year)	* 1-01-5-01-001E	93,678	93,678
Other - Multi-County Accounting and Contracting Grant	N/A	12,000	12,000
<b>Total State Awards</b>		<b>\$ 1,515,299</b>	<b>\$ 1,850,572</b>
*Programs with compliance requirements that have a direct and material effect on the financial statement.			

<i>Alamance Partnership for Children</i>			
<i>Schedule of Property and Equipment</i>			
<i>For the Year Ended June 30, 2001</i>			<i>Schedule 4</i>
	Furniture and Non-Computer Equipment	\$	8,245
	Computer Equipment/Printers		9,508
	<b>Total Property and Equipment</b>	<b>\$</b>	<b>17,753</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.	

<i>Alamance Partnership for Children</i>				
<i>Schedule of Qualifying Match (Non-GAAP)</i>				
<i>For the Year Ended June 30, 2001</i>				<i>Schedule 5</i>
<i>Match Provided at the Partnership Level:</i>				
Cash		\$	30,444	
In-Kind Goods and Services			45,867	
		\$	<u>76,311</u>	
<i>Match Provided at the Contractor Level:</i>				
Cash		\$	282,598	
In-Kind Goods and Services			82,343	
		\$	<u>364,941</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.			



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  
Alamance Partnership for Children  
Burlington, North Carolina

We have audited the financial statements of the Alamance Partnership for Children (Alamance Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 2, 2001. 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 Alamance 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 Alamance Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves a matter coming to our attention relating to a significant deficiency in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Alamance Partnership's ability to record, process, summarize and report financial data consistent with the assertions of

**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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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**

Policies and 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, we do not 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

November 2, 2001

## AUDIT FINDINGS AND RECOMMENDATIONS

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

### POLICIES AND PROCEDURES

During our audit, we found that the Alamance Partnership's financial and contract management policies and procedures were not current and did not sufficiently address the organization's needs. Improvements are needed in the areas of the Partnership's credit card usage, accounting for fixed assets, documentation of the receipt of goods and services, and the monitoring of contract and grant activities.

Written policies and procedures provide direction to ensure that assets are safeguarded, that accounting data is accurate and reliable, and that operations are efficient and carried out in accordance with management's intentions.

*Recommendation:* We recommend that the Alamance Partnership obtain guidance from the North Carolina Partnership for Children, Inc. for updating and implementing effective financial and contract management policies and procedures.

*Partnership's Response:* The Alamance Partnership for Children has reviewed the Office of State Auditor's financial audit for the year ending June 30, 2001 and accepts the finding and recommendation in your audit report as helpful and constructive.

The following actions have been undertaken to improve the Partnership's control over the financial and management policies and procedures noted in the audit report:

- (1) Credit card usage. A new policy specifying usage of the corporate credit card by employees was instituted in December 2001.
- (2) Accounting for fixed assets. The method of accounting for fixed assets provided by the auditors during their visit has been adopted.
- (3) Documentation of receipt of goods and services. Signed documentation was expanded for all receipts of goods and services effective November 2001.
- (4) Monitoring contract and grant activities. Contract and grant monitoring policies and procedures are under review and will be presented for board of directors approval in March of this year.

We are appreciative of the time and effort your audit team expended on our behalf and for the suggestions they made for improving our policies and procedures.

## **DISTRIBUTION OF AUDIT REPORT**

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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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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.

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February 15, 2002



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