



# STATE OF NORTH CAROLINA

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

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

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

**BOARD OF DIRECTORS**

**CHRIS KIRICOPLES, CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**LISA WOOLARD, EXECUTIVE DIRECTOR**



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, Beaufort County Partnership for Children

This report presents the results of our financial statement audit of the Beaufort County Partnership for Children (Beaufort 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 Beaufort 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 Beaufort 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 Beaufort Partnership is one of these local partnerships. As such, the Beaufort 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** - The following instance of noncompliance was detected:

**Finding**

2. Competitive Bidding

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

3. **Objective** - Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Beaufort 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**

1. Contract Management

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

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 .....	11
2 Schedule of State Level Service Provider Contracts .....	12
3 Schedule of Federal and State Awards - Regulatory Basis.....	13
4 Schedule of Property and Equipment.....	14
5 Schedule of Qualifying Match (Non-GAAP) .....	15
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> .....	17
AUDIT FINDINGS AND RECOMMENDATIONS .....	19
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  
Beaufort County Partnership for Children  
Washington, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Beaufort County Partnership for Children (Beaufort 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 Beaufort 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 Beaufort County Partnership for Children as of June 30, 2001, and the results of its operations for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2002 on our consideration of the Beaufort 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)

---

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Beaufort County Partnership for Children taken as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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



Ralph Campbell, Jr.  
State Auditor

April 5, 2002

**Beaufort County Partnership for Children**

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

**For the Year Ended June 30, 2001**

**Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards (less refunds of \$35,551)	\$ 762,018	\$ 9,765	\$ 0	\$ 771,783
Federal Awards		115,489	10,839	126,328
Private Contributions		8,942		8,942
Special Fund Raising Events		410		410
Interest and Investment Earnings		1,927		1,927
Sales Tax Refunds		10,056		10,056
<b>Total Receipts</b>	<b>762,018</b>	<b>146,589</b>	<b>10,839</b>	<b>919,446</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		11,823	(11,823)	0
	<b>762,018</b>	<b>158,412</b>	<b>(984)</b>	<b>919,446</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	378,254	6,470		384,724
Child Care and Education Affordability	136,360	127,604		263,964
Health and Safety	94,150			94,150
Family Support	34,856			34,856
Support:				
Management and General	105,701	12,557		118,258
Program Evaluation	36,739			36,739
Other:				
Sales Tax Paid		3,186		3,186
<b>Total Expenditures</b>	<b>786,060</b>	<b>149,817</b>	<b>0</b>	<b>935,877</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(24,042)</b>	<b>8,595</b>	<b>(984)</b>	<b>(16,431)</b>
<b>Net Assets at Beginning of Year</b>	<b>33,316</b>	<b>(5,030)</b>	<b>12,219</b>	<b>40,505</b>
<b>Net Assets at End of Year</b>	<b>\$ 9,274</b>	<b>\$ 3,565</b>	<b>\$ 11,235</b>	<b>\$ 24,074</b>
<b>Net Assets Consisted of:</b>				
Cash on Deposit	\$ 3,873	\$ 3,565	\$ 11,235	\$ 18,673
Refunds Due From Contractors	5,401	0	0	5,401
	<b>\$ 9,274</b>	<b>\$ 3,565</b>	<b>\$ 11,235</b>	<b>\$ 24,074</b>

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



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

*Exhibit*

	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	378,254	77,902	1,134	22,826	13,743	6,864	337	255,448	
Child Care and Education Affordability	136,360							136,360	
Health and Safety	94,150							94,150	
Family Support	34,856							34,856	
	<b>643,620</b>	<b>77,902</b>	<b>1,134</b>	<b>22,826</b>	<b>13,743</b>	<b>6,864</b>	<b>337</b>	<b>520,814</b>	<b>0</b>
<b>Support:</b>									
Management and General	105,701	71,213	6,795	3,627	16,025	7,491	550		
Program Evaluation	36,739	27,026	4,626	53	1,967	3,067			
	<b>142,440</b>	<b>98,239</b>	<b>11,421</b>	<b>3,680</b>	<b>17,992</b>	<b>10,558</b>	<b>550</b>	<b>0</b>	<b>0</b>
<b>Total Smart Start Fund Expenditures</b>	<b>786,060</b>	<b>176,141</b>	<b>12,555</b>	<b>26,506</b>	<b>31,735</b>	<b>17,422</b>	<b>887</b>	<b>520,814</b>	<b>0</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	6,470	167	100	5,042	1,161				
Child Care and Education Affordability	127,604			690	27			126,887	
	<b>134,074</b>	<b>167</b>	<b>100</b>	<b>5,732</b>	<b>1,188</b>	<b>0</b>	<b>0</b>	<b>126,887</b>	<b>0</b>
<b>Support:</b>									
Management and General	12,557	0	12,001	59	497	0	0	0	0
<b>Other:</b>									
Sales Tax Paid	3,186	0	0	3,186	0	0	0	0	0
<b>Total Other Funds Expenditures</b>	<b>149,817</b>	<b>167</b>	<b>12,101</b>	<b>8,977</b>	<b>1,685</b>	<b>0</b>	<b>0</b>	<b>126,887</b>	<b>0</b>

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

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Beaufort County Partnership for Children (Beaufort Partnership) is a legally separate nonprofit organization incorporated on April 16, 1996. The Beaufort Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Beaufort 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 Beaufort 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 Beaufort 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)

---

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 Beaufort 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 Beaufort Partnership to a concentration of credit risk.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Beaufort 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 Beaufort 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 Beaufort Partnership was awarded and has received \$795,334 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 \$8,710 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2001.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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

**Work First Pilot Program** - The Beaufort Partnership's other major source of revenue and support is from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Work First Pilot Program.

The Beaufort Partnership was awarded \$230,780 under a current year contract with DHHS and has received \$126,328 of this amount. The unexpended balance of this contract is subject to reversion to the State. As allowed by program regulation, the unexpended balance of the current year contract is available for carry-forward to the subsequent year based on approval by DHHS.

### NOTE 4 - RELATED PARTY TRANSACTIONS

**Service Provider Contracts with Board Member Organizations** - The board members of the Beaufort Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Beaufort 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 quality enhancement grants, child care resource and referral, and outreach materials.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

**Child Care and Education Affordability** - Used to account for service activities including child care coordinator activities and a scholarship program.

**Health and Safety** - Used to account for service activities including comprehensive dental services, prenatal/newborn services, outreach nurses, and special needs – early intervention services.

**Family Support** - Used to account for service activities including ongoing parent education and outreach plans to assess services.

### **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**

**A. Leases** - The following is a schedule by years of future minimum rental payments required under leases that have noncancelable lease terms as of June 30, 2001:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2002	\$ 12,780
2003	<u>5,325</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 18,105</u></b>

Total rental expenditure for all operating leases was \$12,780 for the year ended June 30, 2001.

**B. Commitments on Contracts** - The Beaufort Partnership had an outstanding commitment of \$103,893 on a cost-reimbursement contract that had not been paid at June 30, 2001.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE 7 - PENSION PLAN

The Beaufort Partnership has a Simplified Employee Pension (SEP) plan covering all full-time employees. Each full-time employee of the Beaufort Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Beaufort Partnership contributed up to 6% of gross wages for the year ended June 30, 2001. The Beaufort 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 Beaufort Partnership had a total payroll of \$156,424, of which \$93,460 was covered under the plan. The Partnership contributed \$5,584 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 Beaufort Partnership. The voluntary contributions by employees amounted to \$6,648 during the year ended June 30, 2001.

### NOTE 8 - RESTRICTIONS ON NET ASSETS

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

Purpose	Amount
Work First Pilot Program – Los Ninos	\$ 10,839
Community Awareness and Access	396
	<u>\$ 11,235</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

---

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

Purpose	Amount
Work First Pilot Program – Los Ninos	\$ 11,398
Community Awareness and Access	<u>425</u>
	<u>\$ 11,823</u>

*Beaufort County Partnership for Children  
 Schedule of Contract and Grant Expenditures - Regulatory Basis  
 For the Year Ended June 30, 2001*

*Schedule 1*

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Beaufort Child Development Center, Incorporated	*	25,687	(1,261)	
Beaufort County Health Department	*	28,757	(510)	
Beaufort-Hyde-Martin Regional Library		32,200	(39)	
Chocowinity Primary School	*	2,000		
Diocese of East Carolina - Episcopal Hispanic Ministry	*	161,663	(3)	126,887
Eastern Elementary Pre-School	*	10,500		
Martin Pitt Partnership for Children		2,300		
Miracles and Magic, Incorporated		95,140	(2,750)	
New Adventures	*	8,500		
North Carolina Cooperative Extension of Beaufort County	*	42,116	(307)	
Pitt County Memorial Hospital		9,575	(19)	
Snowden Elementary Pre-School	*	4,500		
The Shepherd's Staff	*	3,490		
Various Day Care Providers		99,787	(512)	
		<b>526,215</b>	<b>(5,401)</b>	<b>126,887</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.



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

**Schedule 2**

<b>Organization Name</b>	<b>DHHS Contracts</b>
Beaufort County Department of Social Services	239,714
Child Care Services Association - WAGES Program	47,408
	<b>287,122</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>	

**Beaufort County Partnership for Children**  
**Schedule of Federal and State Awards - Regulatory Basis**  
**For the Year Ended June 30, 2001**

**Schedule 3**

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
US Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services				
Temporary Assistance for Needy Families (TANF)	93.558 *	00428-01	\$ 126,328	\$ 126,887
<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, Incorporated				
Early Childhood Initiatives Program (Prior Year)	*	1-90-5-04-001	(33,316)	
Early Childhood Initiatives Program (Current Year)	*	1-01-5-04-001	795,334	786,060
Multi-Partnership Accounting and Contracting Grant (Prior Year)		N/A	(2,235)	
Multi-Partnership Accounting and Contracting Grant (Current Year)		N/A	12,000	12,000
<b>Total State Awards</b>			771,783	798,060
<b>Total Federal and State Awards</b>			\$ 898,111	\$ 924,947

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

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

*Schedule 4*

Furniture and Non-Computer Equipment	\$	30,549
Computer Equipment/Printers		17,161
Leasehold Improvements		703
Total Property and Equipment	\$	<u>48,413</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.

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

**Schedule 5**

***Match Provided at the Partnership Level:***

Cash	\$ 30,643
In-Kind Goods and Services	25,408
	<u>\$ 56,051</u>

***Match Provided at the Contractor Level:***

Cash	\$ 51,386
In-Kind Goods and Services	6,084
	<u>\$ 57,470</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  
Beaufort County Partnership for Children  
Washington, North Carolina

We have audited the financial statements of the Beaufort County Partnership for Children (Beaufort Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated April 5, 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 Beaufort Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests, which are reported in the Audit Findings and Recommendations section of this report, disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*.

**Finding**

2. Competitive Bidding

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Beaufort 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

**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. 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 Beaufort 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 are described in the Audit Findings and Recommendations section of this report:

**Finding**

1. Contract Management

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

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

April 5, 2002

## **AUDIT FINDINGS AND RECOMMENDATIONS**

---

### **Matters Related to Financial Reporting**

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

#### 1. CONTRACT MANAGEMENT

We previously reported problems with the Beaufort Partnership's contract management system. Issues noted included inadequate contract agreements, prepayments for goods and services, and inconsistencies in applying grant guidelines resulting in contract overpayments.

*This finding is partially resolved.* We noted significant improvement by the Partnership in the area of prepayments for goods and services. However, contract management and monitoring procedures were not fully developed and implemented. We continued to note disbursements without contractual agreements. The criteria established for the Quality Enhancement grants was not consistently followed for determining award amounts or the processing of grant payments. In addition, there was no supporting documentation for fiscal site visits to Direct Service Providers or for the follow-up assessments of Quality Enhancement grantees which totaled \$549,655.

*Recommendation:* We recommend that the Beaufort Partnership further refine and implement contract management/monitoring policies and procedures. Those procedures should address the execution of formal contract documents, compliance with established grant criteria, completion of documented site visits, and the assurance that expected outcomes are achieved.

*Partnership's Response:* Already, changes in the present fiscal year have been made that address your concerns. Our Fiscal Affairs Coordinator will provide oversight this year for all Quality Enhancement participants with regards to receipts and cancelled checks. The Letter of Agreement for QE participants already has undergone yet another revision. On-site fiscal monitoring of assets of all Direct Service Providers has already taken place and cash disbursements and personnel monitoring is presently underway. Closer monitoring/follow-up assessments of all programs should provide the level of assurance necessary for achieving expected outcomes.



## AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)

---

### 2. COMPETITIVE BIDDING

In the prior year report, we noted that documentation was not available to support the Beaufort Partnership's compliance with the competitive bidding requirements.

*This finding is unresolved.* We continued to note errors with the Beaufort Partnership's documentation of compliance with competitive bidding requirements. A contributing factor to the errors noted was the Partnership's misinterpretation of the bidding requirements.

*Recommendation:* We recommend that the Partnership comply with the legislatively mandated bid requirements.

*Partnership's Response:* Beginning with fiscal year 2002-2003, the Partnership's continued error in its multi-year bidding will be resolved. Steps have been taken to amend next year's bid package to include a three-year budget proposal requirement. This amendment is in accordance with the memo the Partnership received from the North Carolina Partnership for Children concerning multi-year bidding requirements.

## 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 Buell	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

May 31, 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