

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

**PERFORMED UNDER CONTRACT WITH THE
NORTH CAROLINA OFFICE OF STATE AUDITOR
RALPH CAMPBELL, JR.**

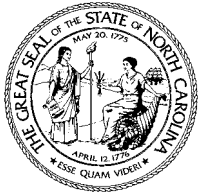
FINANCIAL STATEMENT AUDIT REPORT OF
BLADEN COUNTY PARTNERSHIP FOR CHILDREN, INC.
ELIZABETHTOWN, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2001

BOARD OF DIRECTORS

MARVIN ROUSE, CHAIRMAN

ADMINISTRATIVE OFFICER

YVETTE WOMACK, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA

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AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of the Bladen County Partnership for Children, Inc. for the year ended June 30, 2001. Crisp Hughes Evans LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Bladen County Partnership for Children, Inc. 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 partnerships. The Bladen County Partnership for Children, Inc. is one of these local partnerships. As such, the Bladen County Partnership for Children, Inc. is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14 to have an annual financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the North Carolina General Statutes.

The significant Smart Start expansion authorized in the 1998 fiscal year almost doubled the related audit burden placed on the Office of the State Auditor. Therefore, the General Assembly, in its 1998-99 Expansion Budget, gave recognition to the resources needed to provide the audit oversight required by statute. Those resources incorporated a combination of permanent positions and contract funding to make the Smart Start audit effort self-sustaining.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of all 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.

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' 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	10
2 Schedule of State Level Service Provider Contracts	11
3 Schedule of State Awards - Regulatory Basis	12
4 Schedule of Property and Equipment.....	13
5 Schedule of Qualifying Match (Non-GAAP)	14
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	15
AUDIT FINDINGS AND RECOMMENDATIONS	17
DISTRIBUTION OF AUDIT REPORT	19

INDEPENDENT AUDITORS' REPORT

Board of Directors
Bladen County Partnership for Children, Inc.
Elizabethtown, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Bladen County Partnership for Children, Inc. (Bladen 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 Bladen 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Bladen 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.

INDEPENDENT AUDITORS' REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2002, on our consideration of the Bladen Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

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

March 14, 2002

Crisp Hughes Evans LLP

Bladen 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	
	Smart Start	Other	Restricted	Total
	Fund	Funds	Funds	Funds
Receipts:				
State Awards (less refunds of \$53,052)	\$ 680,058	\$ 12,000	\$ -	\$ 692,058
Private Contributions	-	20,076	5,000	25,076
Interest and Investment Earnings	-	335	-	335
Total Receipts	<u>680,058</u>	<u>32,411</u>	<u>5,000</u>	<u>717,469</u>
Expenditures:				
Programs:				
Child Care and Education Quality	426,615	6,970	-	433,585
Child Care and Education Accessibility and Availability	5,838	-	-	5,838
Child Care and Education Affordability	29,000	-	-	29,000
Family Support	71,100	8,500	-	79,600
Support:				
Management and General	107,000	13,331	-	120,331
Program Evaluation	62,386	659	-	63,045
Program Coordination	22,281	118	-	22,399
Other:				
Sales Tax Paid	-	2,847	-	2,847
Total Expenditures	<u>724,220</u>	<u>32,425</u>	<u>-</u>	<u>756,645</u>
Excess of Receipts Over (Under)				
Expenditures	(44,162)	(14)	5,000	(39,176)
Net Assets at Beginning of Year	<u>53,082</u>	<u>(1,450)</u>	<u>-</u>	<u>51,632</u>
Net Assets at End of Year	<u>\$ 8,920</u>	<u>\$ (1,464)</u>	<u>\$ 5,000</u>	<u>\$ 12,456</u>
Net Assets Consisted of:				
Cash on Deposit	\$ 3,262	\$ (1,464)	\$ 5,000	\$ 6,798
Refunds Due From Contractors	5,658	-	-	5,658
	<u>\$ 8,920</u>	<u>\$ (1,464)</u>	<u>\$ 5,000</u>	<u>\$ 12,456</u>

The accompanying notes are an integral part of these statements.

Bladen County Partnership for Children, Inc.
Statement of Functional Expenditures - Regulatory Basis
For the Year Ended June 30, 2001

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating	Fixed Charges and Other	Property and Equipment Outlay	Services/ Contracts/ Grants
Smart Start Fund:								
Programs:								
Child Care and Education Quality	\$ 426,615	\$ -	\$ 27,513	\$ 7,145	\$ 2,367	\$ -	\$ 10,525	\$ 379,065
Child Care and Education Accessibility and Availability	5,838	-	4,000	1,738	100	-	-	-
Child Care and Education Affordability	29,000	-	6,000	-	-	-	-	23,000
Family Support	71,100	-	15,500	-	-	-	-	55,600
Support:								
Management and General	107,000	80,031	3,487	1,987	13,182	8,313	-	-
Program Evaluation	62,386	49,063	173	679	3,298	1,985	50	7,138
Program Coordination	22,281	16,888	589	515	1,486	1,338	1,665	-
Total Smart Start Fund Expenditures	\$ 724,220	\$ 145,782	\$ 57,262	\$ 12,064	\$ 20,433	\$ 11,636	\$ 12,240	\$ 464,803
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 6,970	\$ -	\$ 750	\$ -	\$ -	\$ -	\$ -	\$ 6,220
Family Support	8,500	-	-	-	-	-	-	8,500
Support:								
Management and General	13,331	-	12,000	-	82	220	-	1,029
Program Evaluation	659	-	659	-	-	-	-	-
Program Coordination	118	-	118	-	-	-	-	-
Other:								
Sales Tax Paid	2,847	-	-	2,847	-	-	-	-
Total Other Funds Expenditures	\$ 32,425	\$ -	\$ 13,527	\$ 2,847	\$ 82	\$ 220	\$ -	\$ 15,749

The accompanying notes are an integral part of these statements.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Bladen County Partnership for Children, Inc. (Bladen Partnership) is a legally separate nonprofit organization incorporated on August 21, 1997. The Bladen Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Bladen 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 Bladen 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 Bladen 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 accounting principles generally accepted in the United States of America 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)

- 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.
- E. Use of Estimates** - The financial statements include estimates and assumptions made by management for the allocation of joint costs. It is management's belief that these estimates are reasonable and fair.

NOTE 2 - DEPOSITS

All funds of the Bladen Partnership are deposited with one commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subject the Bladen Partnership to a concentration of credit risk. At June 30, 2001, the Bladen Partnership's had no bank deposits in excess of the FDIC insured limit.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

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

The Bladen Partnership was awarded and has received \$733,110 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 \$8,516 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.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Bladen Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Bladen 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 quality enhancement grants, salary supplements, special needs training for child care professionals, and environmental assessment.

Child Care and Education Accessibility and Availability - Used to account for service activities associated with inclusion support.

Child Care and Education Affordability - Used to account for service activities including eliminate waiting list, child care coordinator, and scholarship program.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Family Support - Used to account for service activities including parenting education, parenting skills training, ongoing parent education, general family support, literacy projects, family literacy, mother read, transportation services, outreach materials, and information and resources.

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.

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

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

Other Costs - Building and operating costs, such as, rent, janitorial and telephone services, equipment rental and outlay, and insurance and bonding costs, are allocated based on estimated time spent by employees per square footage of office space. Overhead costs, such as travel costs, are allocated based on usage per employee.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 6 - COMMITMENTS AND CONTINGENCIES

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

<u>Fiscal Year</u>	<u>Operating Leases</u>
2002	\$ 12,510
2003	<u>13,410</u>
Total Minimum Lease Payments	<u>\$ 25,920</u>

Total rental expenditure for all operating leases was \$11,610 for the year ended June 30, 2001.

NOTE 7 - RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets - All temporarily restricted net assets at June 30, 2001 are available for a Board Development Retreat.

Bladen 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
A+ Learning Center	\$ 2,175	\$ -	\$ -	\$ -
Adam & Eve Daycare	4,815	-	-	-
Baltimore Head Start	3,175	-	-	-
Big Bird Day Care	4,175	-	-	-
Bizzy Britches	6,355	-	-	-
Bladen Community College *	17,600	(800)	-	-
Bladen County Fire Department	4,975	-	-	-
Bladen County Health Department *	83,400	(185)	3,500	-
Bladen Family Support *	46,614	(1,984)	5,000	-
Bordeaux Consulting	5,750	-	-	-
Brisson's Daycare	5,191	-	-	-
Busy B's Day Care Home	1,000	-	-	-
Chesnutt's Daycare	4,715	-	-	-
Creative Child Care Solutions *	40,000	(2,889)	-	-
Day Care Specialties	159,184	-	-	-
Department of Social Services *	2,000	-	-	-
Elizabethtown Head Start	3,175	-	-	-
Evaluation Resources	7,138	-	-	-
Infant Toddler Day Care Center	3,640	-	-	-
Kids Korner	2,175	-	-	-
King's Daycare	2,540	-	-	-
Loving Hands, Inc.	2,350	-	-	-
Ms. Debbie's Kid Academy	4,000	-	-	-
Other	6,562	-	19	-
Rainbow Nursery	-	-	112	-
Small World Day Care	5,634	-	7,118	-
Sunshine Corner	8,717	-	-	-
Teddy and Friends Child Day Care	4,175	-	-	-
Tiny World	1,000	-	-	-
Waccamaw Siouan Child Care	3,175	-	-	-
Wanda's Day Care	6,816	-	-	-
Wee Care Day Care	10,621	-	-	-
Wright's Family Day Care Home	7,619	-	-	-
	\$ 470,461	\$ (5,658)	\$ 15,749	\$ -

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

See Independent Auditors' Report.

Bladen 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
Bladen County Department of Social Services	*	\$ 274,150
Child Care Services Association - WAGE\$ Program		20,500
		\$ 294,650

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

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.

See Independent Auditors' Report.

Bladen County Partnership for Children, Inc.
Schedule of State Awards - Regulatory Basis
For the Year Ended June 30, 2001

Schedule 3

<u>State Grantor/Pass-through Grantor/Program</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
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)	* 1-01-2-03-001	\$ (53,052)	\$ -
Early Childhood Initiatives Program (Current Year)	* 1-01-5-05-001	733,110	724,220
Multi-County Accounting and Contracting Grant	-	12,000	12,000
Total State Awards		<u>\$ 692,058</u>	<u>\$ 736,220</u>

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

See Independent Auditors' Report.

Bladen County Partnership for Children, Inc.

Schedule of Property and Equipment

For the Year Ended June 30, 2001

Schedule 4

Furniture and Non-Computer Equipment	\$ 5,311
Computer Equipment/Printers	<u>16,150</u>
Total Property and Equipment	<u>\$ 21,461</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.

See Independent Auditors' Report.

Bladen 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	\$ 25,076
In-Kind Goods and Services	<u>18,656</u>
	<u>\$ 43,732</u>

Match Provided at the Contractor Level:

Cash	<u>\$ 72,417</u>
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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 accountign principles generally accepted in the United States of America.

See Independent Auditors' Report.

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

Board of Directors
Bladen County Partnership for Children, Inc.
Elizabethtown, North Carolina

We have audited the financial statements of the Bladen County Partnership for Children, Inc. (Bladen Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated March 14, 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 Bladen 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 Bladen Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

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

Reportable conditions involves matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Bladen Partnership's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions noted as a result of our audit are described in the Audit Findings and Recommendations section of this report:

- 1. CONTRACT MANAGEMENT/MONITORING**
- 2. INTERNAL CONTROL**

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

We also noted a matter involving an issue of a management control nature that is described in the Audit Findings and Recommendations section of this report.

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.

March 14, 2002

Crisp Hughes Evans LLP

AUDIT FINDINGS AND RECOMMENDATIONS

Material Findings and Recommendations from the Current Audit - The following present findings, determined during the current audit, which represents significant deficiencies in internal controls.

1. CONTRACT MANAGEMENT/MONITORING

During our audit of the Bladen Partnership, we identified the following weaknesses in the Partnership's contract management and monitoring:

- The Partnership did not ensure that copies of the direct service providers' financial statements were obtained in order to ensure compliance with North Carolina General Statute 143-6-1.
- The Partnership did not perform site visits on in-house program providers. Also, site visits were performed on direct service providers each quarter but the Partnership's policies require they be performed monthly.
- The Partnership advanced funds to Direct Service Providers (DSP) before receiving a Financial Status Report (FSR) from the DSP.
- The Partnership did not obtain a written amendment to a DSP contract to support the amounts paid over the original contract amount.
- Invoices from in-house program providers did not contain sufficient detail to determine the nature and extent of services provided.

The achievement of the Bladen Partnership's goals is dependent on the effectiveness of its contract management system and its monitoring of contractor performance. Monitoring visits to the contracts ensure that the funds allocated are meeting the expected outcomes of the Partnership's plan.

Recommendation: We recommend the Partnership adhere to its written policies. Also, the Partnership should review and update its policies to ensure the above items are adequately addressed.

Partnership's Response: On June 6, 2001, the Executive Director was involved in a serious car accident that left her unable to work for five months. During that time, the Program Coordinator/Evaluator resigned for another position. Unfortunately, required monitoring was not conducted timely.

All FSR's will be received before any funds are disbursed.

AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)

Our Partnership has a well-written monitoring policy; however, the problem has been lack of personnel to maintain compliance. This problem has been solved by hiring a full-time Program Coordinator/Evaluator.

2. INTERNAL CONTROL

During our audit of the Bladen Partnership, we identified the following weakness in the Partnership's internal control:

- The Partnership lacked proper segregation of duties over purchases. The Executive Director authorizes purchases, verifies the receipt of the goods or services and approves payment.
- The date on one invoice was manually changed but there was no written explanation as to why the change was made or who made the change.

Weaknesses in internal control affect the Partnership's ability to properly account for its activities.

Recommendation: We recommend the Partnership review and modify all of its policies and procedures to segregate duties between authorizing, processing and recording of transactions. Also, errors on vendor invoices should be communicated to the vendors and corrected invoices should be requested. If revised invoices can not be provided then the reason for the change should be documented on the invoice and the individual that makes the change should initial and date the change.

Partnership's Response: Due to lack of staff, duties may have frequently interchanged; however, segregation of duties are now enforced and adhered to.

Other Observations and Recommendations front the Current Audit - The following presents management control issues related to the efficiency and effectiveness of operations.

During the audit of the Bladen Partnership we noted several of the invoices were not the original but a faxed copy. To minimize the risk of duplicate payment, we recommend the Partnership only pay from an original invoice.

Partnership's Response: Faxed copies have been replaced with originals and currently we pay from original invoices.

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
The Honorable Beverly M. Perdue
The Honorable Richard H. Moore
The Honorable Roy A. Cooper, III
Mr. David T. McCoy
Mr. Robert L. Powell
Ms. Carmen Hooker Odom
Mr. Ashley Thrift

Governor of North Carolina
Lieutenant Governor of North Carolina
State Treasurer
Attorney General
State Budget Officer
State Controller
Secretary, Department of Health and Human Services
Chairman, Board of Directors
North Carolina Partnership for Children, Inc.
Executive Director
North Carolina Partnership for Children, Inc.

Ms. Karen Ponder

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