

**FINANCIAL STATEMENT AUDIT REPORT OF  
CRAVEN COUNTY PARTNERSHIP FOR CHILDREN  
NEW BERN, 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**

**CRAVEN COUNTY PARTNERSHIP FOR CHILDREN**

**NEW BERN, NORTH CAROLINA**

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

**BOARD OF DIRECTORS**

**DR. NANCY CARROLL, CHAIRPERSON**

**ADMINISTRATIVE OFFICER**

**PATRICIA PURNELL, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA

# Office of the 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, Craven County Partnership for Children

This report presents the results of the financial statement audit of Craven County Partnership for Children 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 Craven County Partnership for Children 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 Craven County Partnership for Children is one of these local partnerships. As such, the Craven County Partnership for Children 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 style.

Ralph Campbell, Jr.  
State Auditor

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## INDEPENDENT AUDITORS' REPORT

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Board of Directors  
Craven County Partnership for Children  
New Bern, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Craven County Partnership for Children (Craven 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 Craven 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 Craven 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.

## INDEPENDENT AUDITORS' REPORT (CONCLUDED)

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2002 on our consideration of the Craven 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 auditors' 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 Craven 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.

April 24, 2002

*Crisp Hughes Evans LLP*

***Craven 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 \$94,519)	\$ 1,230,227	\$ 12,200	\$ 10,150	\$ 1,252,577
Private Contributions	-	8,783	-	8,783
Special Fund Raising Events	-	9,112	-	9,112
Sales Tax Refunds	-	11,516	-	11,516
<b>Total Receipts</b>	<u>1,230,227</u>	<u>41,611</u>	<u>10,150</u>	<u>1,281,988</u>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	344,401	10,282	-	354,683
Child Care and Education Accessibility and Availability	242,645	-	-	242,645
Health and Safety	186,066	-	-	186,066
Family Support	293,762	-	-	293,762
Support:				
Management and General	134,996	12,735	-	147,731
Program Evaluation	37,102	-	-	37,102
Other:				
Sales Tax Paid	-	7,924	-	7,924
<b>Total Expenditures</b>	<u>1,238,972</u>	<u>30,941</u>	<u>-</u>	<u>1,269,913</u>
<b>Excess of Receipts Over (Under) Expenditures</b>	(8,745)	10,670	10,150	12,075
<b>Net Assets at Beginning of Year</b>	<u>42,168</u>	<u>(8,878)</u>	<u>-</u>	<u>33,290</u>
<b>Net Assets at End of Year</b>	<u>\$ 33,423</u>	<u>\$ 1,792</u>	<u>\$ 10,150</u>	<u>\$ 45,365</u>
<b>Net Assets Consisted of:</b>				
Petty Cash	\$ -	\$ 300	\$ -	\$ 300
Cash on Deposit	26,292	1,492	10,150	37,934
Refunds Due From Contractors	7,199	-	-	7,199
	<u>33,491</u>	<u>1,792</u>	<u>10,150</u>	<u>45,433</u>
Less: Funds Held for Others	<u>(68)</u>	<u>-</u>	<u>-</u>	<u>(68)</u>
	<u>\$ 33,423</u>	<u>\$ 1,792</u>	<u>\$ 10,150</u>	<u>\$ 45,365</u>

The accompanying notes are an integral part of these statements.

*Craven County 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	Fixed Charges and Other	Property and Equipment Outlay	Services/ Contracts/ Grants	Participant Training
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 344,401	\$115,040	\$ 56,234	\$ 13,952	\$ 37,251	\$ 17,994	\$ 3,431	\$ 100,499	\$ -
Child Care and Education Accessibility and Availability	242,645	-	-	-	-	-	-	242,645	-
Health and Safety	186,066	-	-	-	-	-	-	186,066	-
Family Support	293,762	22,497	89	9,116	29,775	383	4,456	227,446	-
<b>Support:</b>									
Management and General	134,996	80,029	4,912	8,613	17,780	14,577	9,005	-	80
Program Evaluation	37,102	34,876	68	251	1,907	-	-	-	-
<b>Total Smart Start Fund Expenditures</b>	<b>\$1,238,972</b>	<b>\$252,442</b>	<b>\$ 61,303</b>	<b>\$ 31,932</b>	<b>\$ 86,713</b>	<b>\$ 32,954</b>	<b>\$ 16,892</b>	<b>\$ 756,656</b>	<b>\$ 80</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 10,282	\$ -	\$ 2,677	\$ -	\$ 1,847	\$ 5,209	\$ 749	\$ -	\$ -
<b>Support:</b>									
Management and General	12,735	-	12,388	18	278	11	-	-	40
<b>Other:</b>									
Sales Tax Paid	7,924	-	-	7,924	-	-	-	-	-
<b>Total Other Funds Expenditures</b>	<b>\$ 30,941</b>	<b>\$ -</b>	<b>\$ 15,065</b>	<b>\$ 7,942</b>	<b>\$ 1,925</b>	<b>\$ 5,220</b>	<b>\$ 749</b>	<b>\$ -</b>	<b>\$ 40</b>

The accompanying notes are an integral part of these statements.



**CRAVEN COUNTY 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 Craven County Partnership for Children (Craven Partnership) is a legally separate nonprofit organization incorporated on August 6, 1998. The Craven Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Craven 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 Craven 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 Craven 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)

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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. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others.

- 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. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Partnership acts in an agency capacity. For the year ended, the Craven Partnership was holding amounts withheld from employee paychecks for distribution to the insurance company.
- F. 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 Craven 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 Craven Partnership to a concentration of credit risk. At June 30, 2001, the Craven Partnership's bank deposits in excess of the FDIC insured limit was \$74,526.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Craven 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 Craven Partnership. These service provider contracts are not reflected on the accompanying financial

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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statements. However, a summary of the service provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

The Craven Partnership was awarded and has received \$1,323,196 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 \$50,801 of this contract to the State based on financial status reports submitted to NCPC prior to June 30, 2001 and \$33,423 subsequent to June 30, 2001.

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 Craven Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Craven 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, early education enhancement programs, child care resource and referral, and salary supplements.

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

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

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**Health and Safety** - Used to account for service activities including vision screenings, outreach nurses, comprehensive health support, special needs - early intervention services, outreach materials, and outreach plan to assess services.

**Family Support** - Used to account for service activities including family resource center, ongoing parent education, information and resources, and family specialist.

**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.

**C. Allocation of Joint Costs**

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** - Allocated based on employee time reports.

**Other Costs** - Other costs including janitorial and maintenance costs are allocated based on square footage.

**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	<u>\$ 7,470</u>

Total rental expenditure for all operating leases was \$22,704 for the year ended June 30, 2001.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 7 - PENSION PLAN

The Craven Partnership had a Simplified Employee Pension (SEP) plan covering the Executive Director until December 31, 2000. The Executive Director of the Craven Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Craven Partnership contributed \$282 per month. The Craven Partnership does not own the accounts nor is liable for any other cost other than the required contribution.

The Craven Partnership began a SIMPLE - IRA Plan on January 1, 2001 covering all full-time employees and regular part-time employees who earned over \$5,000 per year. Each full-time employee and regular part-time employee of the Craven Partnership has an option to participate in the plan. An Individual Retirement Account is provided to the employee through an outside financial institution. The Craven Partnership matches employee contributions dollar for dollar up to 3% of the employee's gross salary. The Craven 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 Craven Partnership had a total covered payroll of \$99,779. The Partnership contributed \$3,672 for pension benefits during the year. The voluntary contributions by employees amounted to \$2,840.

### NOTE 8 - RESTRICTIONS ON NET ASSETS

**Temporarily Restricted Net Assets** - All temporarily restricted net assets at June 30, 2001 are available for building capacity.

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

***Schedule 1***

<b>Organization Name</b>	<b>Smart Start Fund</b>		<b>Other Funds</b>	
	<b>Amount Advanced</b>	<b>Refund Due</b>	<b>Amount Advanced</b>	<b>Refund Due</b>
All About Children Daycare	\$ 6,920	\$ -	\$ -	\$ -
Cooperative Extension	91,145	(653)	-	-
Craven County Health Department	139,303	(1,840)	-	-
Craven County Schools	232,763	(736)	-	-
Craven/Pamlico/Cataret Public Library	4,287	-	-	-
Craven-Cherry Point Child Development Center	34,260	(1,706)	-	-
Duffyfield Head Start	3,549	-	-	-
F.R. Danyus Head Start	3,514	-	-	-
Godett Head Start	3,721	-	-	-
James City Historical Society	100,100	-	-	-
KFH Group, Inc.	26,667	-	-	-
Miracle Learning Centers, Inc.	31,848	(3)	-	-
Neuse Mental Health Center	34,828	(2,261)	-	-
Quality Enhancement Grants	50,950	-	-	-
	<b>\$ 763,855</b>	<b>\$ (7,199)</b>	<b>\$ -</b>	<b>\$ -</b>

\* 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.

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

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Child Care Services Association - WAGE\$ Program	\$ 121,000
Craven County Department of Social Services	* 423,738
	<b>\$ 544,738</b>

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

The information on this schedule provides a listing of service provider contracts entered into by the Department of Health and Human Services (DHHS) as described in Note 3 - Funding From Grant Awards.

See Independent Auditors' Report.

***Craven County Partnership for Children  
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>
<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)	* 1-90-5-10-001	\$ (42,168)	\$ -
Early Childhood Initiatives Program (Current Year)	* 1-01-5-09-001	1,323,196	1,238,972
Early Childhood Initiatives Program (Current Year)	* 1-01-5-09-001	(50,801)	-
Multi-County Accounting and Contracting Grant (Prior Year)	-	(1,550)	-
Multi-County Accounting and Contracting Grant (Current Year)	-	12,000	12,000
Building Capacity Grant	-	11,900	1,750
<b>Total State Awards</b>		<u>\$ 1,252,577</u>	<u>\$ 1,252,722</u>

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

See Independent Auditors' Report.



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

***Schedule 4***

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Furniture and Non-Computer Equipment	\$ 16,245
Computer Equipment/Printers	41,861
Leasehold Improvements	<u>10,172</u>
Total Property and Equipment	<u>\$ 68,278</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.

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

***Schedule 5***

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

Cash	\$	8,783
In-Kind Goods and Services		<u>8,794</u>
	\$	<u>17,577</u>

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

Cash	\$	134,640
In-Kind Goods and Services		<u>126,539</u>
	\$	<u>261,179</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 accounting 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**

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Board of Directors  
Craven County Partnership for Children  
New Bern, North Carolina

We have audited the financial statements of the Craven County Partnership for Children (Craven Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated April 24, 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 Craven 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 Craven 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that

**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)**

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might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We 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.

April 24, 2002

*Crisp Hughes Evans LLP*

## AUDIT FINDINGS AND RECOMMENDATIONS

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**Other Observations and Recommendations from the Current Audit** - The following presents a management control issue related to the efficiency and effectiveness of operations.

### 1. CREDIT CARD LIMIT

During our audit, we noticed that the Partnership maintains four credit cards with credit limits totaling \$20,000. Although controls over the use of the credit cards appear adequate to prevent any abuse of the cards, we recommend the Partnership lower the limits on each card to a reasonable amount to reduce the Partnership's exposure to loss if the cards were ever abused.

*Partnership Response:* The Partnership has reduced the credit limit on its Staples credit card and the aggregate credit limit is now \$14,000.

## **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.

### **EXECUTIVE BRANCH**

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

### **LEGISLATIVE BRANCH**

Appointees to the Joint Legislative Commission on Governmental Operations

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

### **Other Legislative Officials**

Representative Philip A. Baddour, Jr.	Majority Leader of the N.C. House of Representatives
Senator Anthony E. Rand	Majority Leader of the N.C. Senate
Senator Patrick J. Ballantine	Minority Leader of the N.C. Senate
Representative N. Leo Daughtry	Minority Leader of the N.C. House of Representatives
Representative Joe Hackney	N. C. House Speaker Pro-Tem
Mr. James D. Johnson	Director, Fiscal Research Division

## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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