

FINANCIAL STATEMENT AUDIT REPORT OF
SCOTLAND COUNTY PARTNERSHIP
FOR CHILDREN AND FAMILIES, INC.
LAURINBURG, 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

SCOTLAND COUNTY PARTNERSHIP FOR CHILDREN AND FAMILIES, INC.

LAURINBURG, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2001

BOARD OF DIRECTORS

DAVID MORRISON, CHAIRMAN

ADMINISTRATIVE OFFICER

ANITA RIOJAS-MAYERS, 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, Scotland County Partnership for Children and Families, Inc.

This report presents the results of the financial statement audit of the Scotland County Partnership for Children and Families, 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 Scotland County Partnership for Children and Families, 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 Scotland County Partnership for Children and Families, Inc. is one of these local partnerships. As such, the Scotland County Partnership for Children and Families, 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 cursive script that reads "Ralph Campbell, Jr.".

Ralph Campbell, Jr.
State Auditor

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Scotland County Partnership for Children and Families, Inc.
Laurinburg, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Scotland County Partnership for Children & Families, Inc. (Scotland 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 Scotland 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 Scotland County Partnership for Children & Families, 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 February 7, 2002 on our consideration of the Scotland 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 Scotland County Partnership for Children and Families, 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.

February 7, 2002

Crisp Hughes Evans LLP

Scotland County Partnership for Children and Families, Inc.
Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis
For the Year Ended June 30, 2001 ***Exhibit A***

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards (less refunds of \$188,538)	\$ 673,978	\$ 17,000	\$ -	\$ 690,978
Private Contributions	-	8,420	23,060	31,480
Interest and Investment Earnings	-	879	-	879
Sales Tax Refunds	-	3,532	-	3,532
Other Receipts	6	-	-	6
Total Receipts	673,984	28,831	23,060	726,875
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	10,634	(10,634)	-
Expiration of Time Restrictions	-	8,266	(8,266)	-
	673,984	48,731	4,160	726,875
Expenditures:				
Programs:				
Child Care and Education Quality	291,649	3,870	-	295,519
Child Care and Education Affordability	30,258	600	-	30,858
Health and Safety	126,490	76	-	126,566
Family Support	97,591	16,162	-	113,753
Support:				
Management and General	106,671	12,747	-	119,418
Program Evaluation	56,061	-	-	56,061
Program Coordination	130,677	-	-	130,677
Other:				
Sales Tax Paid	-	5,434	-	5,434
Refund of Prior Year Grant	-	8,260	-	8,260
Total Expenditures	839,397	47,149	-	886,546
Excess of Receipts Over (Under) Expenditures	(165,413)	1,582	4,160	(159,671)
Net Assets at Beginning of Year	189,983	2,715	8,292	200,990
Net Assets at End of Year	\$ 24,570	\$ 4,297	\$ 12,452	\$ 41,319
Net Assets Consisted of:				
Petty Cash	\$ -	\$ 200	\$ -	\$ 200
Cash on Deposit	19,792	4,097	12,452	36,341
Refunds Due From Contractors	4,778	-	-	4,778
	\$ 24,570	\$ 4,297	\$ 12,452	\$ 41,319

The accompanying notes are an integral part of these statements.

Scotland County Partnership for Children and Families, 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	Participant Training
Smart Start Fund:									
Programs:									
Child Care and Education Quality	\$291,649	\$ -	\$ -	\$ 7,485	\$ 5,763	\$ 544	\$ 570	\$ 277,287	\$ -
Child Care and Education Affordability	30,258	-	-	-	-	-	-	30,258	-
Health and Safety	126,490	30,875	16,280	6,561	4,904	2,830	4,305	60,735	-
Family Support	97,591	-	-	-	-	-	-	97,591	-
Support:									
Management and General	106,671	65,865	11,004	2,027	13,422	9,758	4,795	-	-
Program Evaluation	56,061	39,789	722	4,524	4,788	2,129	4,109	-	-
Program Coordination	130,677	78,834	1,863	15,251	17,168	4,811	12,113	-	637
Total Smart Start Fund Expenditures	\$839,397	\$215,163	\$ 29,869	\$ 35,848	\$ 46,045	\$ 20,072	\$ 25,892	\$ 465,871	\$ 637
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 3,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,870	\$ -
Child Care and Education Affordability	600	-	-	-	-	-	-	600	-
Health and Safety	76	-	-	-	76	-	-	-	-
Family Support	16,162	2,001	500	200	2,903	-	-	10,558	-
Support:									
Management and General	12,747	-	12,000	190	557	-	-	-	-
Other:									
Sales Tax Paid	5,434	-	-	5,434	-	-	-	-	-
Refund of Prior Year Grant	8,260	-	-	-	-	-	-	8,260	-
Total Other Funds Expenditures	\$ 47,149	\$ 2,001	\$ 12,500	\$ 5,824	\$ 3,536	\$ -	\$ -	\$ 23,288	\$ -

The accompanying notes are an integral part of these statements.

SCOTLAND COUNTY PARTNERSHIP FOR CHILDREN AND FAMILIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Scotland County Partnership for Children and Families, Inc. (Scotland Partnership) is a legally separate nonprofit organization incorporated on September 14, 1998. The Scotland Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Scotland 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 Scotland 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 Scotland 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)

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.

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 Scotland Partnership are deposited with one commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over the amount subjects the Scotland Partnership to a concentration of credit risk. At June 30, 2001, the Scotland Partnership's bank deposits in excess of the FDIC insured limit was \$12,549.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Scotland 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 Scotland 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 Scotland Partnership was awarded and has received \$862,516 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 \$23,119 of this

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2001.

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

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Scotland Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Scotland 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 NCPC and/or 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, salary supplements, child care provider support, health/safety training for child care professionals, resources and materials, environmental assessment, and outreach materials.

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

Health and Safety - Used to account for service activities including speech and hearing screenings, outreach nurses, and child abuse and neglect intervention.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Family Support - Used to account for service activities including parenting education, parenting skills training, general family support and special needs - family support.

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 function.

Other Costs - Other costs, including occupancy cost (rent, utilities and maintenance) and communication costs (telephone), were allocated based on estimates of utilization such as square footage used and number of phones being used.

NOTE 6 - PENSION PLAN

The Scotland Partnership did not have a pension plan in place for its employees. However, each employee of the Scotland Partnership is provided, as part of the benefit package, an additional 18% of his/her salary to be applied to an individual retirement plan.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 7 - RESTRICTIONS ON NET ASSETS

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

Purpose	Amount
Parents as Teachers Program	\$ 6,002
CJ Foundation for SIDS Grant	3,924
CP&L/NCPC Private Grant for Dental and Vision Programs	2,500
Resource Development Project	26
	<u>\$ 12,452</u>

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

Purpose	Amount
Parents as Teachers Program	\$ 10,558
Intensive Home Visitation Project	7,559
Resource Development Project	707
CJ Foundation for SIDS Grant	76
	<u>\$ 18,900</u>

Scotland County Partnership for Children and Families, 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
American Red Cross-Early Childhood Health & Safety	\$ 22,078	\$ (822)	\$ -	\$ -
* Child Care Directions-ITERS/ECRS/FDCERS	100,838	(1)	-	-
* Child Care Directions-Resource Lending Library	65,744	(37)	-	-
Duke & St. Joseph Home Care	1,464	-	-	-
* Scotland County Cooperative Extension-Parents as Teachers	7,000	(322)	10,558	-
* Scotland County Health Department-Child Care Health Consultant	55,044	(1,939)	-	-
* Scotland County Literacy Council-Babies	44,958	(784)	-	-
* Scotland County Literacy Council-PACE	47,612	(873)	-	-
* Scotland County Memorial Library	5,885	-	-	-
Refund of Prior Year Grant	-	-	8,260	-
Various Day Care Providers	89,768	-	3,870	-
Individuals:				
Scholarships/Bonus Awards	30,258	-	600	-
	\$ 470,649	\$ (4,778)	\$ 23,288	\$ -

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

See Independent Auditor's Report.

Scotland County Partnership for Children and Families, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2001

Schedule 2

Organization Name	DHHS Contracts
Scotland County Department of Social Services	* \$ 323,081

* 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 Auditor's Report.

Scotland County Partnership for Children and Families, 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)	* 1-90-5-29-001	\$ (188,538)	\$ -
Early Childhood Initiatives Program (Current Year)	* 1-01-5-29-001	862,516	839,397
Multi-County Accounting and Contracting Grant		12,000	12,000
North Carolina Department of Health and Human Services			
Division of Public Health			
Intensive Home Visiting Planning Grant	1540003	<u>5,000</u>	<u>5,000</u>
Total State Awards		<u>\$ 690,978</u>	<u>\$ 856,397</u>

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

See Independent Auditor's Report.

Scotland County Partnership for Children and Families, Inc.
Schedule of Property and Equipment
For the Year Ended June 30, 2001

Schedule 4

Furniture and Non-Computer Equipment	\$	18,216
Computer Equipment/Printers		<u>28,447</u>
Total Property and Equipment	\$	<u>46,663</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 Auditor's Report.

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

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 31,480
In-Kind Goods and Services	<u>22,228</u>
	<u>\$ 53,708</u>

Match Provided at the Contractor Level:

Cash	\$ 63,078
In-Kind Goods and Services	<u>36,089</u>
	<u>\$ 99,167</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 Auditor's 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
Scotland County Partnership for Children and Families, Inc.
Laurinburg, North Carolina

We have audited the financial statements of the Scotland County Partnership for Children and Families, Inc. (Scotland Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated February 7, 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 Scotland 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 Scotland Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A

**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 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 Scotland Partnership's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition noted as a result of our audit is described in the Audit Findings and Recommendations section of this report:

1. CONTRACT MANAGEMENT AND MONITORING

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

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

February 7, 2002

Crisp Hughes Evans LLP

AUDIT FINDINGS AND RECOMMENDATIONS

Material Findings and Recommendations from Prior Audits - The following presents the status of a material finding and presented in the prior year audit report that affected the current year audit of the financial statements.

CONTRACT MANAGEMENT AND MONITORING

In 2000, the Partnership did not have an adequate contract management and monitoring system in place. The Partnership did not have written policies and procedures in place to address contract management and monitoring nor did it have complete evidence to support the monitoring of contract activities. Due to the timing of last year's audit, the Partnership did not have time to implement a corrective action plan so these issues carried over into the current year. In addition, the Partnership had paid advances to a playground vendor in excess of the requested 25% down payment.

The finding is resolved. In October 2000, the Partnership approved written Contracting and Evaluation Policies and Procedures. All programs were monitored fiscally and programmatically on a monthly basis by the Partnership staff. The Partnership's Program Committee also began meeting on a quarterly basis to review each program's progress. In June 2001, the State Auditors provided the Partnership with recommendations to improve the Partnership's annual monitoring reviews. Although annual site visits and/or desk monitoring reviews were conducted by June 30, 2001, the final reports were completed in the next quarter. The Partnership continues to monitor monthly and quarterly, and has revised the time table for conducting site visits and desk monitoring reviews to ensure that all monitoring is completed by June 30, 2002.

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 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
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Senator Luther H. Jordan, Jr.	Representative Flossie Boyd-McIntyre	Representative Wilma M. Sherrill
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Senator Howard N. Lee	Representative James W. Crawford, Jr.	Representative Joe P. Tolson
Senator Jeanne H. Lucas	Representative William T. Culpepper, III	Representative Gregg Thompson
Senator R. L. Martin	Representative W. Pete Cunningham	Representative Russell E. Tucker
Senator William N. Martin	Representative Beverly M. Earle	Representative Thomas E. Wright
Senator Stephen M. Metcalf	Representative Ruth M. Easterling	Representative Douglas Y. Yongue
Senator Fountain Odom	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

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