



# **STATE OF NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**THE JONES CARTERET PARTNERSHIP FOR CHILDREN**

**TRENTON, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2002**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

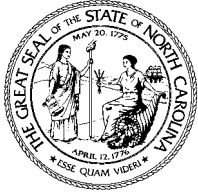
**FINANCIAL STATEMENT AUDIT REPORT OF**  
**THE JONES CARTERET PARTNERSHIP FOR CHILDREN**  
**TRENTON, NORTH CAROLINA**  
**FOR THE YEAR ENDED JUNE 30, 2002**

**BOARD OF DIRECTORS**

**RAY HARRIS, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

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**SHERRY PEEL, EXECUTIVE DIRECTOR – MOREHEAD CITY LOCATION**



Ralph Campbell, Jr.  
State Auditor

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**AUDITOR'S TRANSMITTAL**

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The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Board of Directors, The Jones Carteret Partnership For Children

This report presents the results of our financial statement audit of The Jones Carteret Partnership For Children (Jones Carteret Partnership) for the year ended June 30, 2002. Our audit was made by authority of Article 5A of G.S. §147.

The accounts and operations of the Jones Carteret Partnership were subject to audit procedures as we considered necessary for us to report on the accompanying financial statements and supplementary information. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The audit of the Jones Carteret Partnership was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-.16. This statute created the North Carolina Partnership for Children, Inc. and required the implementation of local demonstration projects (local partnerships). The Jones Carteret Partnership is one of these local partnerships. As such, the Jones Carteret Partnership is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14(b) to have an annual financial and compliance audit conducted by the State Auditor.

The purpose of this report is to present the results of our audit on the accompanying financial statements. A summary of our reporting objectives and audit results are:

1. **Objective** - Express an opinion on the accompanying financial statements and supplementary information.

**Results** – The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with the regulatory basis of accounting established by the North Carolina Partnership for Children, Inc. The accompanying supplementary information presents information that is fairly stated in all material respects in relation to the basic financial statements.

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** - Present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

**Results** - The following instance of noncompliance was detected:

**Finding**

3. Competitive Bidding

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

3. **Objective** - Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Jones Carteret Partnership's ability to record, process, summarize, and report financial data in the financial statements.

**Results** - The following significant deficiencies were detected in internal control over financial reporting:

**Finding**

1. Contract Management and Monitoring
2. Authorization and Processing of Transactions

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

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Ralph Campbell, Jr.  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
The Jones Carteret Partnership For Children  
Trenton, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of The Jones Carteret Partnership For Children (Jones Carteret Partnership) as of June 30, 2002, and the related Statement of Functional Expenditures - Regulatory Basis for the year then ended. These financial statements are the responsibility of the Jones Carteret 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 statements are free of material misstatements. 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 Jones Carteret Partnership For Children as of June 30, 2002, and the results of its operations for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2002 on our consideration of the Jones Carteret Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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

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

Ralph Campbell, Jr.  
State Auditor

September 26, 2002

***The Jones Carteret Partnership for Children***

***Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis  
For the Year Ended June 30, 2002***

***Exhibit A***

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards (less refunds of \$20,221)	\$ 1,062,279	\$ 24,000	\$ 0	\$ 1,086,279
Federal Awards		134,702		134,702
Private Contributions		13,692	5,620	19,312
Special Fund Raising Events		430		430
Interest and Investment Earnings		895		895
Other Receipts		2,745		2,745
<b>Total Receipts</b>	1,062,279	176,464	5,620	1,244,363
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		5,515	(5,515)	
	1,062,279	181,979	105	1,244,363
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	209,469	57,716		267,185
Child Care and Education Accessibility and Availab	24,843			24,843
Child Care and Education Affordability	396,505	2		396,507
Health and Safety	106,053	69,771		175,824
Family Support	146,588	6,257		152,845
Support:				
Management and General	163,302	24,574		187,876
Program Evaluation	28,998	1,492		30,490
Other:				
Sales Tax Paid		1,697		1,697
Refund of Prior Year Grant		2,641		2,641
<b>Total Expenditures</b>	1,075,758	164,150		1,239,908
<b>Excess of Receipts Over Expenditures</b>	(13,479)	17,829	105	4,455
<b>Net Assets at Beginning of Year</b>	21,624	16,911	9,062	47,597
<b>Net Assets at End of Year</b>	\$ 8,145	\$ 34,740	\$ 9,167	\$ 52,052
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 6,691	\$ 34,740	\$ 9,167	\$ 50,598
Refunds Due From Contractors	1,454			1,454
	\$ 8,145	\$ 34,740	\$ 9,167	\$ 52,052
The accompanying notes to the financial statements are an integral part of this statement.				



*The Jones Carter Partnership for Children*  
*Schedule of Functional Expenditures - Regulatory Basis*  
*For the Year Ended June 30, 2002*

*Exhibit B*

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants	Participant Training Expenditures
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 209,469	78,792	498	6,049	7,177	5,362	7,672	103,919	
Child Care and Education Accessibility and Availability	\$ 24,843							24,843	
Child Care and Education Affordability	\$ 396,505	65,969	479	3,684	5,130	5,112		316,131	
Health and Safety	\$ 106,053							106,053	
Family Support	\$ 146,588							146,588	
	\$ 883,458	\$ 144,761	\$ 977	\$ 9,733	\$ 12,307	\$ 10,474	\$ 7,672	\$ 697,534	\$ 0
<b>Support:</b>									
Management and General	\$ 163,302	125,906	1,053	1,703	12,317	22,323			
Program Evaluation	\$ 28,998	26,417	93	374	1,876	238			
	\$ 192,300	\$ 152,323	\$ 1,146	\$ 2,077	\$ 14,193	\$ 22,561	\$ 0	\$ 0	\$ 0
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 1,075,758</b>	<b>\$ 297,084</b>	<b>\$ 2,123</b>	<b>\$ 11,810</b>	<b>\$ 26,500</b>	<b>\$ 33,035</b>	<b>\$ 7,672</b>	<b>\$ 697,534</b>	<b>\$ 0</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 57,716	46,671	209	1,372	3,021	5,043		1,400	
Child Care and Education Affordability	\$ 2				2				
Health and Safety	\$ 69,771	58,825	247	639	4,618	1,260		4,182	
Family Support	\$ 6,257			1,908	1,669	1,197		1,483	
	\$ 133,746	\$ 105,496	\$ 456	\$ 3,919	\$ 9,310	\$ 7,500	\$ 0	\$ 7,065	\$ 0
<b>Support:</b>									
Management and General	\$ 24,574	916	16,535	169	4,081	2,873			
Program Evaluation	\$ 1,492			20	5	68	1,399		
	\$ 26,066	\$ 916	\$ 16,535	\$ 189	\$ 4,086	\$ 2,941	\$ 1,399	\$ 0	\$ 0
<b>Other:</b>									
Sales Tax Paid	\$ 1,697			1,697					
Refund of Prior Year Grant	\$ 2,641					2,641			
	\$ 4,338	\$ 0	\$ 0	\$ 1,697	\$ 0	\$ 2,641	\$ 0	\$ 0	\$ 0
<b>Total Other Funds Expenditures</b>	<b>\$ 164,150</b>	<b>\$ 106,412</b>	<b>\$ 16,991</b>	<b>\$ 5,805</b>	<b>\$ 13,396</b>	<b>\$ 13,082</b>	<b>\$ 1,399</b>	<b>\$ 7,065</b>	<b>\$ 0</b>

**THE JONES CARTERET PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Jones Carteret Partnership for Children (Jones Carteret Partnership) is a legally separate nonprofit organization incorporated on April 13, 1998. The Jones Carteret Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Jones Carteret 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 Jones Carteret Partnership's Board of Directors is responsible. Pursuant to the provisions of 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 Jones Carteret Partnership did not have any permanently restricted net assets at June 30, 2002.

**C. Basis of Accounting** - The accompanying financial statements were prepared on the regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc. This basis differs from generally accepted accounting principles primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

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However, unexpended advances to contractors that revert back to the State are recognized as a reduction to expenditures and an increase to net assets.

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets –Regulatory Basis and consists of cash on deposit with private bank accounts.
- E. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that 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.
- 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 Jones Carteret Partnership are deposited between two commercial banks and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 for each bank. Deposits over this amount subjects the Jones Carteret Partnership to a concentration of credit risk.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Jones Carteret 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 Jones Carteret 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 are presented on Schedule 2 accompanying the financial statements.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

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The Jones Carteret Partnership was awarded and has received \$1,082,500 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 \$6,358 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2002.

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

**Child Care Resource and Referral Program** – The Jones Carteret Partnership received additional revenue and support from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Child Care Resource and Referral Program (CCR&R) Program.

The Jones Carteret Partnership was awarded and has received \$53,970 under a current year CCR&R contract with DHHS.

### NOTE 4 - RELATED PARTY TRANSACTIONS

**Service Provider Contracts with Board Member Organizations** - The boardmembers of the Jones Carteret Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Jones Carteret 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:

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

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### A. Program Functions

**Child Care and Education Quality** - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, salary supplements, mentoring programs, learning materials and teaching aids, curriculum enhancements, or health insurance benefits for child care providers.

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

**Child Care and Education Affordability** - Used to account for service activities including public pre-K classes, child care subsidy, or part day care programs.

**Health and Safety** - Used to account for service activities including vision screenings, comprehensive health services, prenatal/newborn services, child care health consultants/outreach nurses, or child abuse and neglect intervention.

**Family Support** - Used to account for service activities including a mobile family resource center, ongoing parenting education, general family support, intensive home visiting, transportation services, or community outreach.

### 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 estimated time spent by employees for each function.

## NOTES TO THE FINANCIAL STATEMENT (CONTINUED)

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**Other Costs** - Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were allocated based on estimates of utilization or utilization data.

### NOTE 6 - LEASE OBLIGATIONS

**Operating Lease Obligations** - Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2002:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2003	\$ 25,276
2004	2,366
2005	<u>1,577</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 29,219</u></b>

Rental expense for all operating leases during the year was \$33,915.

### NOTE 7 - RESTRICTIONS ON NET ASSETS

**A. Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2002 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Mobile Education Center	\$ 1,637
For All Kids Foundation	708
Welcome Baby	3,184
Multicultural Translation Grant	2,313
Nurturing Moms	<u>1,325</u>
	<b><u>\$ 9,167</u></b>

## NOTES TO THE FINANCIAL STATEMENT (CONCLUDED)

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- B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2002, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Welcome Baby	1,578
Multicultural Translation Grant	\$ 1,296
Speech, Language, and Hearing	2,641
	<u>\$ 5,515</u>

### NOTE 8 - SUBSEQUENT EVENTS

Effective July 1, 2002, The Jones Carteret Partnership for Children was dissolved resulting in the creation of two separate local nonprofit 501(c)(3) organizations to oversee the Smart Start funding allocations for Jones and Carteret counties. The two local partnerships, the Jones County Partnership for Children and the Carteret County Partnership for Children, are controlled by newly established boards of directors.

***The Jones Carteret Partnership for Children  
Schedule of Contract and Grant Expenditures - Regulatory Basis  
For the Year Ended June 30, 2002***

***Schedule 1***

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
ABC Child Care Center	21,950			
Carteret County Board of Education	* 34,155			
Carteret County Cooperative Extension Service	* 111,020	(1,454)		
Carteret County Rape Crisis Program	3,780			
Childcare Network #73	8,936			
Colony Child Care Center - Morehead	* 20,482			
Craven Area Rural Transit System	13,728			
Jones County Health Department	23,703			
Jones County Schools	125,000			
Little Cherubs	* 5,868			
Little Citizens	40,103			
My School, Inc.	* 89,781			
NC Prevent Blindness			2,425	
Neuse Center for Mental Health	* 69,233			
Newport Developmental Center	* 24,378			
Sandbox	25,634			
Town of Beaufort	200			
Various Day Care Centers	7,301		1,757	
White Oak	24,394			
	<b>\$ 649,646</b>	<b>\$ (1,454)</b>	<b>\$ 4,182</b>	<b>\$ 0</b>
<b>Individuals:</b>				
Child Care Expense Reimbursements	38,427			
Multicultural Translators			1,483	
Salary Supplement	9,390			
Literacy Recipients	1,525		1,400	
	<b>\$ 49,342</b>	<b>\$ 0</b>	<b>\$ 2,883</b>	<b>\$ 0</b>
	<b>\$ 698,988</b>	<b>\$ (1,454)</b>	<b>\$ 7,065</b>	<b>\$ 0</b>

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



***The Jones Carteret Partnership for Children  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2002***

***Schedule 2***

Organization Name	DHHS Contracts
Child Care Services Association - WAGES Program	\$ 33,957
* 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	

**The Jones Carteret Partnership for Children****Schedule of Federal and State Awards - Regulatory Basis****For the Year Ended June 30, 2002****Schedule 3**

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
North Carolina Department of Health and Human Services				
Division of Child Development				
Child Care Resource and Referral (Prior Year)	93.575	5866	\$ 3,527	\$ 0
Child Care Resource and Referral (Current Year)	93.575	6001	53,970	53,970
<b>Total Federal Awards</b>			57,497	53,970
<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)	*	1-01-1-08-001	(20,221)	(384)
Early Childhood Initiatives Program (Current Year)	*	1-12-1-08-001	1,082,500	1,076,142
Multi-County Accounting and Contracting Grant		N/A	24,000	24,000
<b>Total State Awards</b>			1,086,279	1,099,758
<b>Total Federal and State Awards</b>			<b>\$ 1,143,776</b>	<b>\$ 1,153,728</b>
* Programs with compliance requirements that have a direct and material effect on the financial statements				

***The Jones Carteret Partnership for Children***  
***Schedule of Property and Equipment***  
***For the Year Ended June 30, 2002***

***Schedule 4***

Furniture and Non-Computer Equipment	\$	38,615
Computer Equipment/Printers		49,302
Leasehold Improvements		13,683
Motor Vehicles		45,208
Total Property and Equipment	\$	<u>146,808</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 of purchase.

<b><i>The Jones Carteret Partnership for Children</i></b>				
<b><i>Schedule of Qualifying Match (Non-GAAP)</i></b>				
<b><i>For the Year Ended June 30, 2002</i></b>				<b><i>Schedule 5</i></b>
<b><i>Match Provided at the Partnership Level:</i></b>				
Cash		\$	19,312	
In-Kind Goods and Services			42,913	
		\$	62,225	
<b><i>Match Provided at the Contractor Level:</i></b>				
Cash		\$	130,710	
In-Kind Goods and Services			345,822	
		\$	476,532	
Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 1999-237, Section 11.48(l). The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles.				

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**INDEPENDENT AUDITOR'S 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  
The Jones Carteret Partnership For Children  
Trenton, North Carolina

We have audited the financial statements of The Jones Carteret Partnership For Children (Jones Carteret Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated September 26, 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 Jones Carteret Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests, which are reported in the Audit Findings and Recommendations section of this report, disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*.

**Finding**

3. Competitive Bidding

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Jones Carteret 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

**INDEPENDENT AUDITOR'S 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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internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve 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 Jones Carteret 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:

**Finding**

- 1 Contract Management and Monitoring
2. Authorization and Processing of Transactions

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.

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



Ralph Campbell, Jr.  
State Auditor

September 26, 2002

## AUDIT FINDINGS AND RECOMMENDATIONS

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

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

#### 1. CONTRACT MANAGEMENT AND MONITORING

During the previous two audits, we noted that The Jones Carteret Partnership did not have an adequate contract management and monitoring system in place. Issues identified were the lack of contract management/monitoring policies and procedures and contract payments that were not supported by adequate documentation. Also, limited documentation was available to support contract monitoring activities.

*This finding is partially resolved.* Documentation was available to support payments to contractors. The Partnership adopted contract management and monitoring policies and procedures; however, we noted inconsistent implementation of those procedures. Also, the Partnership continues to need improvement with documenting adequate monitoring of contractor performance.

*Recommendation:* We recommend that the Partnership continue to work with its oversight agency, the North Carolina Partnership for Children, Inc. to enhance its contract monitoring procedures. Monitoring documentation should comply with procedures adopted by the Partnership.

*Partnership's Response:* Carteret County has rewritten its Monitoring policies and procedures to reflect adequate documentation. These new procedures will be implemented in the 2002-2003 fiscal year. Carteret County will also participate in the Partnership Improvement Plan of the North Carolina Partnership for Children.

Jones County has also rewritten its Monitoring Policies and will also participate in the Partnership Improvement Plan.

#### 2. AUTHORIZATION AND PROCESSING OF TRANSACTIONS

We identified procedural weaknesses with the Partnership's authorizing and processing of transactions during the previous two audits.

*This finding is unresolved.* We continued to note errors with the documentation and approval process for disbursement transactions as the Partnership failed to consistently follow its accounting procedures and guidelines.



## AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)

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*Recommendation:* We recommend that the Jones Carteret Partnership obtain technical assistance from the North Carolina Partnership for Children, Inc. to ensure proper processing procedures are implemented for disbursement activities.

*Partnership's Response:* Carteret County Partnership for Children and Jones County Partnership for Children has incorporated the changes in procedure recommended and will strive to ensure that these procedures are followed with the assistance of the staff from North Carolina Partnership for Children.

### 3. COMPETITIVE BIDDING

During the previous two audits, we noted instances where documentation was not available to support compliance with the competitive bidding requirements for the purchase of goods and services.

*This finding is unresolved.* We continued to note errors in the Partnership's documentation of compliance with competitive bidding procedures during the current fiscal year.

*Recommendation:* We recommend the Partnership adequately document its compliance with the legislatively mandated bid requirements.

*Partnership's Response:* Because we were audited in the latter part of the year of the FY 2000-2001, this was an issue that could not be resolved in the current audit year. It has already been corrected in the FY 2002-2003. The Carteret County Partnership for Children will document its compliance with bidding requirements. All pertinent staff has attended competitive bidding training sponsored by North Carolina Partnership for Children.

Jones County has provided appropriate compliance for bidding requirements since January of 2002 and will continue to make every effort to remain in compliance in the area of competitive bidding. The appropriate personnel has attended training provided by NCPC on competitive bidding.

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In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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October 30, 2002

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