

FINANCIAL STATEMENT AUDIT REPORT OF
ALLEGHANY PARTNERSHIP FOR CHILDREN, INC.
SPARTA, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2002

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

**FINANCIAL STATEMENT AUDIT REPORT OF
ALLEGHANY PARTNERSHIP FOR CHILDREN, INC.**

SPARTA, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

BOARD OF DIRECTORS

DUANE DAVIS, CHAIRMAN

ADMINISTRATIVE OFFICER

ELLEN B. WRIGHT, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
**Office of the State
Auditor**

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AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of the Alleghany Partnership for Children, Inc. for the year ended June 30, 2002. 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 Alleghany Partnership for Children, Inc. was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-.16. This statute created the North Carolina Partnership for Children, Inc. and required the implementation of local partnerships. The Alleghany Partnership for Children, Inc. is one of these local partnerships. As such, the Alleghany Partnership for Children, Inc. is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14 to have an annual financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the North Carolina General Statutes.

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

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

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

Ralph Campbell, Jr.
State Auditor

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
EXHIBITS	
A - Statement of Receipts, Expenditures, and Net Assets--Regulatory Basis	3
B - Statement of Functional Expenditures--Regulatory Basis	4
Notes to the Financial Statements	5
SUPPLEMENTARY SCHEDULES	
1 Schedule of Contract and Grant Expenditures--Regulatory Basis	9
2 Schedule of State Level Service Provider Contracts.....	10
3 Schedule of Federal and State Awards--Regulatory Basis	11
4 Schedule of Property and Equipment.....	12
5 Schedule of Qualifying Match (Non-GAAP)	13
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	14
AUDIT FINDINGS AND RECOMMENDATIONS.....	16
DISTRIBUTION OF AUDIT REPORT	17

INDEPENDENT AUDITORS' REPORT

Board of Directors
Alleghany Partnership for Children, Inc.
Sparta, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets--Regulatory Basis of the Alleghany Partnership for Children, Inc. ("Alleghany 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 Alleghany 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 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 Alleghany Partnership for Children, Inc. 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 March 3, 2003 on our consideration of the Alleghany Partnership's internal control over financial

INDEPENDENT AUDITORS' REPORT (CONCLUDED)

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

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

March 3, 2003

Crisp Hughes Evans LLP

ALLEGHANY COUNTY PARTNERSHIP FOR CHILDREN, INC.
STATEMENT OF RECEIPTS, EXPENDITURES, AND NET ASSETS--REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2002 **EXHIBIT A**

	<u>Unrestricted Funds</u>		<u>Temporarily</u>	
	<u>Smart Start</u>	<u>Other</u>	<u>Restricted</u>	<u>Total</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
Receipts:				
State Awards (Less Refunds of \$6,987)	\$ 253,338	\$ 153,015	\$ -	\$ 406,353
Federal Awards	-	4,916	-	4,916
Private Contributions	-	36,849	-	36,849
Special Fund Raising Events	-	2,023	-	2,023
Interest and Investment Earnings	-	2,224	-	2,224
Sales Tax Refunds	-	1,195	-	1,195
Other Receipts	-	4,430	-	4,430
Total Receipts	<u>253,338</u>	<u>204,652</u>	<u>-</u>	<u>457,990</u>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>-</u>	<u>11,205</u>	<u>(11,205)</u>	<u>-</u>
	<u>253,338</u>	<u>215,857</u>	<u>(11,205)</u>	<u>457,990</u>
Expenditures:				
Programs:				
Child Care and Education Quality	51,095	6,694	-	57,789
Child Care and Education Accessibility and Availability	24,728	-	-	24,728
Child Care and Education Affordability	38,100	-	-	38,100
Health and Safety	2,112	54,312	-	56,424
Family Support	43,602	93,972	-	137,574
Support:				
Management and General	98,413	50,435	-	148,848
Other:				
Sales Tax Paid	-	809	-	809
Total Expenditures	<u>258,050</u>	<u>206,222</u>	<u>-</u>	<u>464,272</u>
Excess of Receipts Over (Under)				
Expenditures	(4,712)	9,635	(11,205)	(6,282)
Net Assets at Beginning of Year	<u>5,084</u>	<u>47,598</u>	<u>11,205</u>	<u>63,887</u>
Net Assets at End of Year	<u>\$ 372</u>	<u>\$ 57,233</u>	<u>\$ -</u>	<u>\$ 57,605</u>
Net Assets Consisted of:				
Cash on Deposit	\$ 30	\$ 58,369	\$ -	\$ 58,399
Refunds Due from Contractors	<u>342</u>	<u>-</u>	<u>-</u>	<u>342</u>
	372	58,369	-	58,741
Less: Funds Held for Others	<u>-</u>	<u>(1,136)</u>	<u>-</u>	<u>(1,136)</u>
	<u>\$ 372</u>	<u>\$ 57,233</u>	<u>\$ -</u>	<u>\$ 57,605</u>

The accompanying notes are an integral part of these statements.

**ALLEGHANY COUNTY PARTNERSHIP FOR CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENDITURES--REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2002**

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	\$ 51,095	\$ 29,766	\$ -	\$ 1,193	\$ 3,159	\$ 2,891	\$ 200	\$ 12,647	\$ 1,239
Child Care and Education Accessibility and Availability	24,728	-	-	-	-	-	-	24,728	-
Child Care and Education Affordability	38,100	-	-	-	-	-	-	38,100	-
Health and Safety	2,112	-	-	-	-	-	-	2,112	-
Family Support	43,602	15,252	14,635	177	488	-	-	13,050	-
Support:									
Management and General	98,413	77,534	1,496	1,982	9,249	8,152	-	-	-
Total Smart Start Fund Expenditures	\$ 258,050	\$ 122,552	\$ 16,131	\$ 3,352	\$ 12,896	\$ 11,043	\$ 200	\$ 90,637	\$ 1,239
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 6,694	\$ 5,999	\$ -	\$ -	\$ -	\$ 695	\$ -	\$ -	\$ -
Health and Safety	54,312	33,517	4,661	4,506	8,172	1,442	2,014	-	-
Family Support	93,972	64,301	530	5,733	12,411	9,553	894	550	-
Support:									
Management and General	50,435	25,909	8,959	1,639	4,677	7,695	1,556	-	-
Other:									
Sales Tax Paid	809	-	-	809	-	-	-	-	-
Total Other Funds Expenditures	\$ 206,222	\$ 129,726	\$ 14,150	\$ 12,687	\$ 25,260	\$ 19,385	\$ 4,464	\$ 550	\$ -

The accompanying notes are an integral part of these statements.

ALLEGHANY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Alleghany Partnership for Children, Inc. (Alleghany Partnership) is a legally separate nonprofit organization incorporated on December 12, 1994. The Alleghany Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Alleghany 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 Alleghany 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 Alleghany 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 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. 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.
- 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 Alleghany Partnership are deposited with one commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subject the Alleghany Partnership to a concentration of credit risk

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Alleghany 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 Alleghany Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NCPC and/or DHHS is presented on Schedule 2 accompanying the financial statements.

The Alleghany Partnership was awarded and has received \$260,325 under current year Smart Start contracts with NCPC. The unexpended balance of these contracts is subject to reversion to the State. The Partnership has returned \$2,275 of these contracts 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.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Alleghany Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Alleghany 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, child care resource and referral, mentoring programs, and curriculum enhancement.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Child Care and Education Affordability - Used to account for service activities associated with public preschool classes.

Health and Safety - Used to account for service activities including child care health consultants and outreach nurses.

Family Support - Used to account for service activities including family resource center and literacy projects.

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.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Allocated based on employee time reports.

Occupancy Cost - Allocated based on square footage used.

NOTE 6 - PENSION PLAN

IRC Section 403(b) - All permanent employees who are at least half-time can participate in a tax sheltered annuity plan created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. All costs of administering and funding this plan are the responsibility of the plan. No costs are incurred by the Allegheny Partnership. The voluntary contributions by employees amounted to \$10,956 during the year ended June 30, 2002.

NOTE 7 - RESTRICTIONS ON NET ASSETS

Net assets were released from donor restrictions during the year by incurring expenditures satisfying the restricted purpose for migrant health clinics.

**ALLEGHANY COUNTY PARTNERSHIP FOR CHILDREN, INC.
 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
Alleghany Board of Education	* \$ 62,828	\$ -	\$ -	\$ -
Appalachian District Health Department	* 2,112	-	-	-
Northwest Regional Library	* 25,946	-	-	-
Family Resource Center	93	(342)	550	-
	\$ 90,979	\$ (342)	\$ 550	\$ -

* 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.

**ALLEGHANY COUNTY PARTNERSHIP FOR CHILDREN, INC.
 SCHEDULE OF STATE LEVEL SERVICE PROVIDER CONTRACTS
 FOR THE YEAR ENDED JUNE 30, 2002**

SCHEDULE 2

Organization Name	DHHS Contracts
Alleghany County Department of Social Services	*
Child Care Services Association--WAGES Program	\$ 30,336
	6,584
	\$ 36,920

* This organization is 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 either the Department of Health and Human Services (DHHS) or the North Carolina Partnership for Children, Inc. (NCPC) as described in Note 3 - Funding From Grant Awards.

See Independent Auditors' Report.

**ALLEGHANY COUNTY PARTNERSHIP FOR CHILDREN, INC.
SCHEDULE OF FEDERAL AND STATE AWARDS--REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2002**

SCHEDULE 3

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
Federal Awards:				
Department of Health and Human Services:				
Pass-through from the North Carolina				
Department of Health and Human				
Services:				
Division of Social Services				
Temporary Assistance for Needy Families	93.558	00232-02	\$ <u>4,916</u>	\$ <u>4,190</u>
Total Federal Awards			<u>4,916</u>	<u>4,190</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)				
	N/A	* 1-01-3-01-001	(6,987)	-
Early Childhood Initiatives Program				
(current year)				
	N/A	* 1-12-3-01-001	260,325	258,050
Multi-County Accounting and				
Contracting Grant				
	N/A	-	12,000	12,000
Division of Social Services				
Family Resource Center				
	N/A	01099-01	76,135	75,523
Rural Health Development				
Migrant Health Clinics				
	N/A	2090001693	36,382	54,312
North Carolina Department of				
Administration				
North Carolina Council for Women				
Domestic Violence Grant				
	N/A	-	<u>28,498</u>	<u>31,031</u>
Total State Awards			<u>406,353</u>	<u>430,916</u>
Total Federal and State Awards			\$ <u>411,269</u>	\$ <u>435,106</u>

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

See Independent Auditors' Report.

**ALLEGHANY COUNTY PARTNERSHIP FOR CHILDREN, INC.
SCHEDULE OF PROPERTY AND EQUIPMENT
FOR THE YEAR ENDED JUNE 30, 2002**

SCHEDULE 4

Furniture and Non-Computer Equipment	\$ 12,134
Computer Equipment/Printers	47,785
Motor Vehicles	<u>14,803</u>
 Total Property and Equipment	 \$ <u><u>74,722</u></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.

**ALLEGHANY COUNTY PARTNERSHIP FOR CHILDREN, INC.
SCHEDULE OF QUALIFYING MATCH (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2002**

SCHEDULE 5

Match Provided at the Partnership Level:

Cash	\$	36,849
In-Kind Goods and Services		<u>16,527</u>
Cash	\$	<u><u>53,376</u></u>

Match Provided at the Contractor Level:

Cash	\$	7,502
In-Kind Goods and Services		<u>66,398</u>
	\$	<u><u>73,900</u></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(1). 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**

Board of Directors
Alleghany Partnership for Children, Inc.
Sparta, North Carolina

We have audited the financial statements of the Alleghany Partnership for Children, Inc. (Alleghany Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated March 3, 2003. 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 Alleghany 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 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 Alleghany 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.

**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)**

However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Alleghany's 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:

Finding

INTERNAL CONTROL

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

March 3, 2003

Crisp Hughes Evans LLP

AUDIT FINDINGS AND RECOMMENDATIONS

Current Year Findings and Recommendations - The following finding and recommendation was identified during the current audit and represents a significant deficiency in internal control or noncompliance with laws, regulations, contracts, or grants.

INTERNAL CONTROL

Effective internal control is dependent on the separation of key functions. These functions are authorization, record keeping and physical custody. When the Executive Director resigned this comprised the Partnership's internal control because certain duties could not be segregated.

Recommendation: The Partnership should review its current job duties and the "segregation of duties worksheet" provided by the Office of the State Auditor in the audit assistance package, to make sure incompatible duties are segregated as much as possible.

Partnership's Response: Since the completion of the 01-02 audit, the Allegheny Partnership for Children has been working to segregate duties in a more acceptable manner. The Executive Director has delegated duties to the employee who handles purchase order preparation; the MAC accountant who prepares checks, bank statements etc.; and another employee in the office has been authorized by the board to sign checks and purchase orders when the Executive Director initiates the purchase.

DISTRIBUTION OF AUDIT REPORT

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

EXECUTIVE BRANCH

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

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

Ms. Karen Ponder

LEGISLATIVE BRANCH

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Senator Kever M. Clark
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Other Legislative Officials

Senator Anthony E. Rand
Senator Patrick J. Ballantine
Representative N. Leo Daughtry
Representative Joe Hackney
Mr. James D. Johnson

Majority Leader of the N. C. Senate
Minority Leader of the N. C. Senate
Minority Leader of the N. C. House of Representatives
N. C. House Speaker Pro-Tem
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