

STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF
ROBESON COUNTY PARTNERSHIP FOR CHILDREN
LUMBERTON, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2002

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

**FINANCIAL STATEMENT AUDIT REPORT OF
ROBESON COUNTY PARTNERSHIP FOR CHILDREN**

LUMBERTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

BOARD OF DIRECTORS

ALPHONZO MCRAE, BOARD CHAIR

ADMINISTRATIVE OFFICER

JEAN S. JOHNSON, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

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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, Robeson County Partnership for Children

This report presents the results of our financial statement audit of the Robeson County Partnership for Children (Robeson Partnership) for the year ended June 30, 2002. Our audit was made by authority of Article 5A of Chapter 147 of the General Statutes.

The accounts and operations of the Robeson 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 Robeson Partnership was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by General Statutes 143B-168.10-.16. These statutes created the North Carolina Partnership for Children, Inc. and required the implementation of local demonstration projects (local partnerships). The Robeson Partnership is one of these local partnerships. As such, the Robeson Partnership is a private nonprofit 501(c)(3) organization and is required by General Statute 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** – To 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)

2. **Objective** – To present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

Results - The following instance of noncompliance was detected:

Finding

Prohibited Disbursements

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

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

Results - Our tests disclosed no material weaknesses in the internal control over financial reporting which require disclosure herein under *Government Auditing Standards*.

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

Board of Directors
Robeson County Partnership for Children
Lumberton, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Robeson County Partnership for Children (Robeson 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 Robeson 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 Robeson County 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 July 18, 2003 on our consideration of the Robeson 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)

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

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



Ralph Campbell, Jr.
State Auditor

July 18, 2003

Robeson County 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		
Receipts:				
State Awards (less refunds of \$585,273)	\$ 2,734,788	\$ 12,000	\$ 0	\$ 2,746,788
Private Contributions		28,918	39,040	67,958
Special Fund Raising Events		7,650		7,650
Interest and Investment Earnings		7,137		7,137
Sales Tax Refunds		12,015		12,015
Other Receipts		17,663		17,663
Total Receipts	2,734,788	85,383	39,040	2,859,211
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		30,599	(30,599)	
	2,734,788	115,982	8,441	2,859,211
Expenditures:				
Programs:				
Child Care and Education Quality	1,079,150	3,543		1,082,693
Child Care and Education Accessibility and Availability	263,058			263,058
Child Care and Education Affordability	150,969			150,969
Health and Safety	270,602			270,602
Family Support	969,683	48,527		1,018,210
Support:				
Management and General	298,327	35,592		333,919
Program Coordination	142,782	10,882		153,664
Other:				
Sales Tax Paid		4,323		4,323
Refund of Prior Year Grant		50		50
Total Expenditures	3,174,571	102,917		3,277,488
Excess of Receipts Over Expenditures	(439,783)	13,065	8,441	(418,277)
Net Assets at Beginning of Year	588,747	12,655	58,859	660,261
Net Assets at End of Year	\$ 148,964	\$ 25,720	\$ 67,300	\$ 241,984
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 113,650	\$ 25,720	\$ 67,300	\$ 206,670
Refunds Due From Contractors	35,314			35,314
	\$ 148,964	\$ 25,720	\$ 67,300	\$ 241,984

The accompanying notes to the financial statements are an integral part of this statement.

**Robeson County Partnership for Children
Statement 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
Smart Start Fund:									
Programs:									
Child Care and Education Quality	\$ 1,079,150							1,079,150	
Child Care and Education Accessibility and Availability	\$ 263,058							263,058	
Child Care and Education Affordability	\$ 150,969							150,969	
Health and Safety	\$ 270,602							270,602	
Family Support	\$ 969,683	25,087	11,107	3,791	7,542	3,708	535,754	382,694	
	\$ 2,733,462	\$ 25,087	\$ 11,107	\$ 3,791	\$ 7,542	\$ 3,708	\$ 535,754	\$ 2,146,473	\$ 0
Support:									
Management and General	\$ 298,327	175,717	43,142	9,025	39,463	19,897	11,083		
Program Coordination	\$ 142,782	68,820	30,470	10,399	20,691	10,173	2,229		
	\$ 441,109	\$ 244,537	\$ 73,612	\$ 19,424	\$ 60,154	\$ 30,070	\$ 13,312	\$ 0	\$ 0
Total Smart Start Fund Expenditures	\$ 3,174,571	\$ 269,624	\$ 84,719	\$ 23,215	\$ 67,696	\$ 33,778	\$ 549,066	\$ 2,146,473	\$ 0
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 3,543							2,783	760
Family Support	\$ 48,527		2,089	480	377	1,021	44,560		
	\$ 52,070	\$ 0	\$ 2,089	\$ 480	\$ 377	\$ 1,021	\$ 44,560	\$ 2,783	\$ 760
Support:									
Management and General	\$ 35,592	8,750	850	610	6,384	5,508	13,490		
Program Coordination	\$ 10,882		5,730	1,317	1,035	2,800			
	\$ 46,474	\$ 8,750	\$ 6,580	\$ 1,927	\$ 7,419	\$ 8,308	\$ 13,490	\$ 0	\$ 0
Other:									
Sales Tax Paid	\$ 4,323			4,323					
Refund of Prior Year Grant	\$ 50					50			
	\$ 4,373	\$ 0	\$ 0	\$ 4,323	\$ 0	\$ 50	\$ 0	\$ 0	\$ 0
Total Other Funds Expenditures	\$ 102,917	\$ 8,750	\$ 8,669	\$ 6,730	\$ 7,796	\$ 9,379	\$ 58,050	\$ 2,783	\$ 760

The accompanying notes to the financial statements are an integral part of this statement.

ROBESON COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Robeson County Partnership for Children (Robeson Partnership) is a legally separate nonprofit organization incorporated on October 19, 1995. The Robeson Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Robeson 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 Robeson 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 Robeson 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 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. 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 a private bank.

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.

NOTE 2 - DEPOSITS

All funds of the Robeson Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Robeson Partnership to a concentration of credit risk. At June 30, 2002, the Robeson Partnership's bank deposits in excess of the FDIC insured limit was \$407,244.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

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

The Robeson Partnership was awarded and has received \$3,320,061 under a current year Smart Start contract with NCPC. The unexpended balance of this

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

contract is subject to reversion to the State. The Partnership has returned \$122,404 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.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Robeson Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Robeson 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:

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, professional development, salary supplements, health/safety training for child care professionals, and curriculum enhancements.

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

Child Care and Education Affordability - Used to account for service activities including pre-K classes and transportation to child care.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Health and Safety - Used to account for service activities including speech and hearing screenings, prenatal/newborn services, comprehensive health support, and child abuse and neglect intervention.

Family Support - Used to account for service activities including ongoing parenting education, support services for children and families in crisis, literacy projects, and 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 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.

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	\$ 5,143
2004	5,143
2005	2,872
2006	<u>300</u>
Total Minimum Lease Payments	<u>\$ 13,458</u>

Rental expense for all operating leases during the year was \$13,198.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 7 - PENSION PLAN

IRC Sections 403(b) Plan and 403(b)(7) Plans - All permanent employees who are at least half time can participate in tax sheltered annuity plans created under Internal Revenue Code Sections 403(b) and 403(b)(7). 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. These plans are exclusively for employees of universities and certain charitable and other non-profit organizations. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the Robeson Partnership. The voluntary contributions by employees amounted to \$3,260 during the year ended June 30, 2002.

NOTE 8 - RESTRICTIONS ON NET ASSETS

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

Purpose	Amount
Pre-School Education for Low-Income Children	\$ 8,259
One Stop Service Center	13,466
Center for Child and Family Health	45,575
	<u>\$ 67,300</u>

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
Spinoza Developmental Learning Kits	\$ 540
One Stop Service Center	27,430
Hands On Learning Center	2,629
	<u>\$ 30,599</u>

**Robeson County 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
Center for Community Action	*	61,904		
Child and Parent Support Services		112,306		(12,040)
Child Care Directions	*	353,358	154	(8,949)
Children's Place of Robeson County, Incorporated		228,472	2,629	(2,360)
Lumber River Council of Governments	*	143,169		(7,000)
Lumberton Children's Clinic	*	61,165		(236)
Public Schools of Robeson County	*	277,858		
Robeson Community College	*	308,200		
Robeson County Church and Community Center	*	22,176		(482)
Robeson County Health Department	*	529,454		(2,901)
Robeson Health Care Corporation	*	1,100		
Speech, Pathology and Audiology Services of Robeson County		48,807		(1,346)
Volunteer Families for Children		33,818		
		\$ 2,181,787	\$ (35,314)	\$ 2,783
				\$ 0

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

***Robeson County Partnership for Children
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2002***

Schedule 2

Organization Name		DHHS Contracts
Robeson County Department of Social Services	*	\$ 1,369,585
* 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.		

***Robeson County Partnership for Children
Schedule of State Awards - Regulatory Basis
For the Year Ended June 30, 2002***

Schedule 3

State Grantor/Pass-through Grantor/Program	Contract #	Receipts	Expenditures
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 (Previous Years)	Various	\$ (585,273)	\$ (5,019)
Early Childhood Initiatives Program (Current Year)	* 1-12-3-05-001	2,784,853	2,644,382
Early Childhood Initiatives Program (Current Year)	* Encumbrance	535,208	535,208
Multi-County Accounting and Contracting Grant		12,000	11,811
Total State Awards		\$ 2,746,788	\$ 3,186,382

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

**Robeson County Partnership for Children
 Schedule of Property and Equipment
 For the Year Ended June 30, 2002**

Schedule 4

Furniture and Non-Computer Equipment	\$	52,325
Computer Equipment/Printers		62,274
Buildings		1,231,247
Total Property and Equipment	\$	1,345,846
<p>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.</p>		

**Robeson County Partnership for Children
 Schedule of Qualifying Match (Non-GAAP)
 For the Year Ended June 30, 2002**

Schedule 5

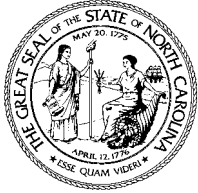
Match Provided at the Partnership Level:

Cash	\$ 43,292
In-Kind Goods and Services	72,166
	<u>\$ 115,458</u>

Match Provided at the Contractor Level:

Cash	\$ 343,413
In-Kind Goods and Services	206,587
	<u>\$ 550,000</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 generally accepted accounting principles.



Ralph Campbell, Jr.
State Auditor

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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**

Board of Directors
Robeson County Partnership for Children
Lumberton, North Carolina

We have audited the financial statements of the Robeson County Partnership for Children (Robeson Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated July 18, 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 Robeson 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 Finding and Recommendation section of this report, disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Finding

Prohibited Disbursements

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Robeson Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over

**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)**

financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

July 18, 2003

AUDIT FINDING AND RECOMMENDATION

Matter Related to Financial Reporting

Current Year Finding and Recommendation - The following finding and recommendation was identified during the current audit and represents noncompliance with laws, regulations, contracts, or grants.

PROHIBITED DISBURSEMENTS

In our review of contract disbursements, we noted two payments that did not meet the criteria established by the General Statutes. In accordance with Session Law 2001-424, Section 21.75(f), local partnerships were not to fund “child care facilities that do not accept child care subsidy funds” or “child care facilities that previously received quality improvement grants whose quality initiatives failed to increase licensure.” Our testwork identified two centers that failed to comply with these requirements resulting in questioned costs totaling \$2,882.

Recommendation: We recommend that the Partnership enhance its quality improvement grant procedures to ensure payments are in compliance with applicable legislation. In addition, the Partnership should consult with the North Carolina Partnership for Children, Inc. to resolve the identified questioned costs.

Partnership’s Response: We developed new and revised tools to be used during the implementation of this activity for 2003-04. First of all, the activity proposal was rewritten to make the criteria and qualifications clearer for this activity. As a check and balance of the application process and its requirements, a checklist and application is supporting documentation of each criterion.

Then a team of early childhood professionals will review and approve the applications for the activity. The Coordinator will then proceed with the grant activity as proposed. Each month this team of professionals will meet to discuss the progress of each child care facility.

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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	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	Representative James B. Black, Co-Chairman
Senator Charlie Albertson	Representative Richard T. Morgan, Co-Chairman
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September 2, 2003

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