



STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT AUDIT REPORT OF
GUILFORD COUNTY PARTNERSHIP FOR CHILDREN, INC.
GREENSBORO, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2002**

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

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

GREENSBORO, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

BOARD OF DIRECTORS

CAROL HOWARD, BOARD CHAIR

ADMINISTRATIVE OFFICER

JEAN GOODMAN, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

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AUDITOR'S TRANSMITTAL

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

This report presents the results of our financial statement audit of the Guilford County Partnership for Children, Inc. (Guilford 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 Guilford 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 Guilford 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 Guilford Partnership is one of these local partnerships. As such, the Guilford 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 - Our tests disclosed no instances of noncompliance that require disclosure herein under *Government Auditing Standards*.

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

Results - The following significant deficiency was detected in internal control over financial reporting:

Finding

Contract Management and Monitoring

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.

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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Ralph Campbell, Jr.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Guilford County Partnership for Children, Inc.
Greensboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Guilford County Partnership for Children, Inc. (Guilford 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 Guilford 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 Guilford County 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 April 23, 2003 on our consideration of the Guilford Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations,

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Guilford County 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.



Ralph Campbell, Jr.
State Auditor
April 23, 2003

Guilford County Partnership for Children, Inc.**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 \$18,841) | \$ 5,338,139 | \$ 279,480 | \$ 0 | \$ 5,617,619 |
| Local Awards | | 16,156 | | 16,156 |
| Private Contributions | | 61,820 | | 61,820 |
| Interest and Investment Earnings | | 3,869 | | 3,869 |
| Sales Tax Refunds | | 33,504 | | 33,504 |
| Total Receipts | 5,338,139 | 394,829 | | 5,732,968 |
| Expenditures: | | | | |
| Programs: | | | | |
| Child Care and Education Quality | 1,429,572 | 41,710 | | 1,471,282 |
| Child Care and Education Accessibility and Availability | 18,839 | 60,161 | | 79,000 |
| Child Care and Education Affordability | 1,952,160 | | | 1,952,160 |
| Health and Safety | 1,047,221 | | | 1,047,221 |
| Family Support | 485,298 | 15,955 | | 501,253 |
| More at Four | | 267,480 | | 267,480 |
| Support: | | | | |
| Management and General | 315,105 | 13,000 | | 328,105 |
| Other: | | | | |
| Sales Tax Paid | | 14,954 | | 14,954 |
| Total Expenditures | 5,248,195 | 413,260 | | 5,661,455 |
| Excess of Receipts Over Expenditures | 89,944 | (18,431) | | 71,513 |
| Net Assets at Beginning of Year | 21,496 | 195,681 | 576 | 217,753 |
| Net Assets at End of Year | \$ 111,440 | \$ 177,250 | \$ 576 | \$ 289,266 |
| Net Assets Consisted of: | | | | |
| Cash and Cash Equivalents | \$ 84,555 | \$ 177,250 | \$ 576 | \$ 262,381 |
| Refunds Due From Contractors | 26,885 | | | 26,885 |
| | \$ 111,440 | \$ 177,250 | \$ 576 | \$ 289,266 |

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

Guilford County Partnership for Children, Inc.
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 |
|---------------------------------------------------------|---------------------|-------------------|---------------------|------------------------|------------------------------|--------------------------------------|-------------------------------|-----------------------------|-----------------------------------|
| Smart Start Fund: | | | | | | | | | |
| Programs: | | | | | | | | | |
| Child Care and Education Quality | \$ 1,429,572 | 475,419 | 24,650 | 16,114 | 81,505 | 16,120 | 1,270 | 796,612 | 17,882 |
| Child Care and Education Accessibility and Availability | \$ 18,839 | | | | | | | 18,839 | |
| Child Care and Education Affordability | \$ 1,952,160 | | | | | | | 1,952,160 | |
| Health and Safety | \$ 1,047,221 | | | 6,081 | | | | 1,041,140 | |
| Family Support | \$ 485,298 | | | | | | | 485,298 | |
| | \$ 4,933,090 | \$ 475,419 | \$ 24,650 | \$ 22,195 | \$ 81,505 | \$ 16,120 | \$ 1,270 | \$ 4,294,049 | \$ 17,882 |
| Support: | | | | | | | | | |
| Management and General | \$ 315,105 | \$ 177,937 | \$ 24,388 | \$ 7,301 | \$ 32,608 | \$ 51,640 | \$ 21,231 | \$ 0 | \$ 0 |
| Total Smart Start Fund Expenditures | \$ 5,248,195 | \$ 653,356 | \$ 49,038 | \$ 29,496 | \$ 114,113 | \$ 67,760 | \$ 22,501 | \$ 4,294,049 | \$ 17,882 |
| Other Funds: | | | | | | | | | |
| Programs: | | | | | | | | | |
| Child Care and Education Quality | \$ 41,710 | | | | | | 543 | 41,167 | |
| Child Care and Education Accessibility and Availability | \$ 60,161 | | | | | | | 60,161 | |
| Family Support | \$ 15,955 | | | | | | | 15,955 | |
| More at Four | \$ 267,480 | | | | | | | 267,480 | |
| | \$ 385,306 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 543 | \$ 384,763 | \$ 0 |
| Support: | | | | | | | | | |
| Management and General | \$ 13,000 | \$ 12,000 | \$ 0 | \$ 0 | \$ 0 | \$ 1,000 | \$ 0 | \$ 0 | \$ 0 |
| Other: | | | | | | | | | |
| Sales Tax Paid | \$ 14,954 | \$ 0 | \$ 0 | \$ 14,954 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Total Other Funds Expenditures | \$ 413,260 | \$ 12,000 | \$ 0 | \$ 14,954 | \$ 0 | \$ 1,000 | \$ 543 | \$ 384,763 | \$ 0 |

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Guilford County Partnership for Children, Inc. (Guilford Partnership) is a legally separate nonprofit organization incorporated on May 7, 1996. The Guilford Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Guilford 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 Guilford 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 Guilford 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. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others.

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 and savings 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.

NOTE 2 - DEPOSITS

All funds of the Guilford 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 Guilford Partnership to a concentration of credit risk. At June 30, 2002, the Guilford Partnership's bank deposits in excess of the FDIC insured limit was \$1,273,808.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Guilford 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, NCPC and the Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Guilford Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by NCPC and DHHS are presented on Schedule 2 accompanying the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Guilford Partnership was awarded and has received \$5,338,141 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 \$102,680 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.

More At Four - The Guilford Partnership also received revenue and support from the State of North Carolina for the More At Four Program. The Guilford Partnership was awarded \$289,100 under a current year cost-reimbursement contract. The unexpended balance of this contract is subject to reversion to the State. The Partnership expects to receive continued funding through new More at Four contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Guilford Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Guilford Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by NCPC and 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 substitutes, provider training, behavior intervention, and curriculum enhancements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Child Care and Education Accessibility and Availability - Used to account for service activities associated with increasing child care availability.

Child Care and Education Affordability - Used to account for service activities including public pre-K classes and Head Start classrooms.

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

Family Support - Used to account for service activities including parenting education and skills training, intensive home visiting, and support services for children and families in crisis.

More at Four - Used to account for development and implementation of More at Four prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

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.

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 | \$ 43,338 |
| 2004 | 44,637 |
| 2005 | 45,977 |
| 2006 | 47,356 |
| 2007 | <u>11,926</u> |
| Total Minimum Lease Payments | <u>\$ 193,234</u> |

Rental expense for all operating leases during the year was \$40,565.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 7 - PENSION PLAN

A. Retirement Plans - The Guilford Partnership has a Simplified Employee Pension (SEP) plan covering all full-time employees. Each full-time employee of the Guilford Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Guilford Partnership contributed 7% of gross wages for the year ended June 30, 2002. The Guilford Partnership does not own the accounts nor is liable for any other cost other than the required contribution.

For the year ended June 30, 2002, the Guilford Partnership had a total payroll of \$527,120, all of which was covered under the plan. The Partnership contributed \$36,898 for pension benefits during the year.

B. IRC Section 403(b) Plan - 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. 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 Guilford Partnership. The voluntary contributions by employees amounted to \$15,420 during the year ended June 30, 2002.

NOTE 8 - RESTRICTIONS ON NET ASSETS

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

| <u>Purpose</u> | <u>Amount</u> |
|-------------------------------------|---------------|
| Family Support Project – Duke Power | <u>\$ 576</u> |

Guilford 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 |
| Alcohol and Drug Services of Guilford, Inc. | 44,985 | | | |
| Christ the King Catholic Church | 18,839 | | 60,161 | |
| Developmental Day Care Program, Inc. | | | 23,222 | |
| Family Services of the Piedmont | 398,132 | (328) | | |
| Family Support Network of Greater Greensboro | * 16,116 | | | |
| Famli First, Inc | 77,800 | | | |
| Guilford County Area Mental Health, Developmental Disabilities and Substance | * 71,672 | (4,659) | | |
| Guilford County Coalition on Infant Mortality | 36,800 | | | |
| Guilford County Department of Public Health | * 866,500 | (3,979) | | |
| Guilford County Public Schools | * 772,500 | (17,694) | 111,958 | |
| Guilford Technical Community College | * 363,870 | | | |
| High Point Public Library | * 50,000 | | | |
| KIDS, Inc. | | | 44,100 | |
| The ARC of High Point | * 8,413 | | 15,955 | |
| The Children's Home Society of North Carolina | 82,000 | | | |
| United Child Development Services | * 1,297,579 | (225) | 88,200 | |
| Various Day Care Providers | 195,738 | | 41,167 | |
| | \$ 4,300,944 | \$ (26,885) | \$ 384,763 | \$ 0 |
| Individuals: | | | | |
| Reach for the Stars Bonus Awards | \$ 19,990 | \$ 0 | \$ 0 | \$ 0 |
| | \$ 4,320,934 | \$ (26,885) | \$ 384,763 | \$ 0 |

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

***Guilford 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 | NCPC Contracts | Total Contracts |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|---------------------|
| Child Care Services Association-WAGES Program | 778,775 | | \$ 778,775 |
| Guilford County Department of Social Services | 325,457 | | \$ 325,457 |
| National Society to Prevent Blindness - NC | | 29,679 | \$ 29,679 |
| | \$ 1,104,232 | \$ 29,679 | \$ 1,133,911 |
| * 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 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 Funding from Grant Awards. | | | |

Guilford County Partnership for Children, Inc.
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 (Prior Year) | #1-01-4-06-001 | \$ (18,841) | \$ (300) |
| Early Childhood Initiatives Program (Current Year) | #1-12-4-06-001E | 18,839 | 18,839 |
| Early Childhood Initiatives Program (Current Year) | * #1-12-4-06-001 | 5,338,141 | 5,229,656 |
| Multi-County Accounting and Contracting Grant | N/A | 12,000 | 12,000 |
| North Carolina Department of Health and Human Services | | | |
| More at Four Pre-Kindergarten Program | * #2090002834 | 267,480 | 267,480 |
| Total State Awards | | \$ 5,617,619 | \$ 5,527,675 |

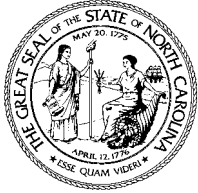
* Programs with compliance requirements that have a direct and material effect on the financial statements.

Note: The More at Four Pre-Kindergarten Program is contracted jointly by the North Carolina Department of Health and Human Services and the Office of the Governor. The allocations for the More at Four program are included in the budget for the North Carolina Department of Health and Human Services; therefore, the above schedule identifies that agency as the State Grantor. The Office of the Governor is responsible for oversight of the More at Four Program.

Guilford 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 | | \$ | 61,820 |
| In-Kind Goods and Services | | | 870 |
| | | \$ | <u>62,690</u> |
| Match Provided at the Contractor Level: | | | |
| Cash | | \$ | 1,155,300 |
| In-Kind Goods and Services | | | 615,793 |
| | | \$ | <u>1,771,093</u> |
| <p>Note: This schedule is presented in accordance with the program match requirements 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.</p> | | | |



Ralph Campbell, Jr.
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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
Guilford County Partnership for Children, Inc.
Greensboro, North Carolina

We have audited the financial statements of the Guilford County Partnership for Children, Inc. (Guilford Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated April 23, 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 Guilford Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Guilford Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves a matter coming to our attention relating to a significant deficiency in the design or operation of the internal control over financial reporting

**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)**

that, in our judgment, could adversely affect the Guilford Partnership's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition noted as a result of our audit is described in the Audit Findings and Recommendations section of this report:

Finding

Contract Management and Monitoring

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

This report is intended solely for the information and use of the management of the partnership, the North Carolina Partnership for Children, 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
April 23, 2003

AUDIT FINDINGS AND RECOMMENDATIONS

Matters Related to Financial Reporting

Current Year Findings and Recommendations Also Reported in Prior Audit - The following finding and recommendation was identified during the current and prior audit and represents a significant deficiency in internal control.

CONTRACT MANAGEMENT AND MONITORING

Our prior year audit identified weaknesses with the Guilford Partnership's contract management and monitoring system including no written policies, limited documentation to support programmatic monitoring of the Reach for the Stars activity, and grant payments in excess of approved budgeted amounts.

The finding is partially resolved. We noted that the Partnership improved the processing of the Reach for the Stars grants to incorporate documented programmatic monitoring and procedures to ensure that payments were made appropriately. Also, the Partnership adopted contract management and monitoring procedures; however, these procedures were not fully implemented for the More at Four contracts. Documentation to support adherence to the program guidelines and requirements was limited or not available.

Recommendation: We recommend that the Partnership perform monitoring activities in accordance with the terms of its More at Four contract agreements.

Partnership's Response: Guilford County's *More at Four* program was approved in January 2002 as a "fast track" pilot, and children enrolled throughout the remaining six months of FY 2001-02. Even though we knew the statewide program was not fully developed, Guilford County applied to participate as a pilot in order to give children who were at risk of not succeeding in kindergarten a few months of high quality care and education. The Partnership provided oversight and guidance to program sites to assure that children qualified for *More at Four*, classrooms were environmentally appropriate, and providers were financially accountable. Monitoring under these developing circumstances was difficult, and we concede that documentation of all our efforts might not have been evident. All sites have been monitored in FY 2002-03 using a standard form to assure that *More at Four* requirements, as we understand them, have been met. Many of these requirements were being developed during FY 2001-02 and, in fact, still are undergoing revisions and clarifications in FY 2002-03.

The Guilford County Partnership for Children (and *More at Four*) respectfully disagree with the audit team's conclusion that the contract administrator was responsible for oversight of all items in the *More at Four* "Program Guidelines and Requirements". Some items such as required ECERS assessments were performed through a *More at Four* State contract, and local programs had not received results at the time of our audit.

AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)

The Director of *More at Four* defines “guidelines” as future goals and direction. The Partnership for Children agrees that the distinction between requirements and guidelines is not clear in the document and will work with the *More at Four* State office to clarify our specific responsibilities as the contract administrator.

The Guilford County Partnership for Children appreciates the audit team’s recommendations of ways in which we can improve implementation of policies and procedures, and we will make these changes.

Auditor Comment: The Guilford Partnership had two *More at Four* contract activities totaling \$220,500, an amount material to their financial presentations. These contracts identify the responsibilities of the Partnership as “monitoring the Direct Service Provider for programmatic and fiscal compliance” with the terms of these contracts. In addition, the Partnership’s Policy for Monitoring and Evaluating Activities and Contracts states that program and fiscal staff will “visit each program site and use consistent monitoring tools to document finance and program activity and compliance”. The Partnership states above that documentation of these efforts was not available for our review for the fiscal year under audit. As such, the Guilford Partnership failed to monitor its contractual obligations in accordance with the terms of its agreements or its internal policies.

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June 10, 2003

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