

# STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT AUDIT REPORT OF**  
**LENOIR/GREENE COUNTY PARTNERSHIP FOR CHILDREN**  
**KINSTON, NORTH CAROLINA**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**  
**LENOIR/GREENE COUNTY PARTNERSHIP FOR CHILDREN**  
**KINSTON, NORTH CAROLINA**  
**FOR THE YEAR ENDED JUNE 30, 2003**

**BOARD OF DIRECTORS**

**OSSIE KEARNEY, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**KEITH SYLVESTER, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

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**AUDITOR'S TRANSMITTAL**

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The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Board of Directors, Lenoir/Greene County Partnership for Children

This report presents the results of our financial statement audit of the Lenoir/Greene County Partnership for Children (Lenoir/Greene Partnership) for the year ended June 30, 2003. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

The accounts and operations of the Lenoir/Greene 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 Lenoir/Greene 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 Lenoir/Greene Partnership is one of these local partnerships. As such, the Lenoir/Greene Partnership is a private nonprofit 501(c)(3) organization and is required by General Statute 143B-168.14(b) to have a 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 modified cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles.

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Lenoir/Greene Partnership's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

**Results** - The following condition represents noncompliance with laws, regulations, contracts, or grants:

**Finding**

Competitive Bidding

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

*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**

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Board of Directors  
Lenoir/Greene County Partnership for Children  
Kinston, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis of the Lenoir/Greene County Partnership for Children (Lenoir/Greene Partnership) as of June 30, 2003, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Lenoir/Greene 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 modified cash basis of accounting, 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 Lenoir/Greene County Partnership for Children as of June 30, 2003, and the results of its operations arising from modified cash basis transactions for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2003 on our consideration of the Lenoir/Greene Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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Our audit was made for the purpose of forming an opinion on the basic financial statements of the Lenoir/Greene 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 Schedules 1, 3, 4, and 5 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. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on Schedule 2.

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



Ralph Campbell, Jr.  
State Auditor

September 29, 2003

***Lenoir/Greene County Partnership for Children***

***Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis***

***For the Year Ended June 30, 2003***

***Exhibit A***

	Unrestricted Funds		Temporarily	Total
	Smart Start	Other	Restricted	Funds
	Fund	Funds	Funds	
<b>Receipts:</b>				
State Awards (less refunds of \$15,059)	\$ 1,251,574	\$ 418,798	\$ 0	\$ 1,670,372
Federal Awards		67,749		67,749
Private Contributions		7,504		7,504
Special Fund Raising Events		(3,295)		(3,295)
Interest and Investment Earnings		2,807		2,807
Sales Tax Refunds		6,903		6,903
Other Receipts		40,861		40,861
<b>Total Receipts</b>	<b>1,251,574</b>	<b>541,327</b>		<b>1,792,901</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	364,198	87,050		451,248
Child Care and Education Affordability	131,108	375,104		506,212
Family Support	295,012			295,012
More at Four	192,000			192,000
Support:				
Management and General	196,817	49,731		246,548
System Integration	42,110	3,337		45,447
Other:				
Sales Tax Paid		2,046		2,046
<b>Total Expenditures</b>	<b>1,221,245</b>	<b>517,268</b>		<b>1,738,513</b>
<b>Excess of Receipts Over Expenditures</b>	<b>30,329</b>	<b>24,059</b>		<b>54,388</b>
<b>Net Assets at Beginning of Year</b>	<b>18,145</b>	<b>13,301</b>	<b>2,460</b>	<b>33,906</b>
<b>Net Assets at End of Year</b>	<b>\$ 48,474</b>	<b>\$ 37,360</b>	<b>\$ 2,460</b>	<b>\$ 88,294</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 45,311	\$ 37,360	\$ 2,460	\$ 85,131
Refunds Due From Contractors	3,532			3,532
	48,843	37,360	2,460	88,663
Less: Funds Held for Others	369			369
	<b>\$ 48,474</b>	<b>\$ 37,360</b>	<b>\$ 2,460</b>	<b>\$ 88,294</b>

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



*Lenoir/Greene County Partnership for Children  
Statement of Functional Expenditures - Modified Cash Basis  
For the Year Ended June 30, 2003*

*Exhibit B*

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants	Participant Training Expenditures
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 364,198	140,922	7,118	12,462	52,521	14,732	363	121,468	14,612
Child Care and Education Affordability	\$ 131,108							131,108	
Family Support	\$ 295,012	12,463	2,963	322	217	10	264	278,773	
More at Four	\$ 192,000	37,472	317	1,394	5,606	132	454	146,625	
	\$ 982,318	\$ 190,857	\$ 10,398	\$ 14,178	\$ 58,344	\$ 14,874	\$ 1,081	\$ 677,974	\$ 14,612
<b>Support:</b>									
Management and General	\$ 196,817	148,071	3,194	2,600	31,096	9,740	2,116		
System Integration	\$ 42,110	39,810	461	347	1,113	335	44		
	\$ 238,927	\$ 187,881	\$ 3,655	\$ 2,947	\$ 32,209	\$ 10,075	\$ 2,160	\$ 0	\$ 0
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 1,221,245</b>	<b>\$ 378,738</b>	<b>\$ 14,053</b>	<b>\$ 17,125</b>	<b>\$ 90,553</b>	<b>\$ 24,949</b>	<b>\$ 3,241</b>	<b>\$ 677,974</b>	<b>\$ 14,612</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 87,050	82,412	2,589	471	1,454	124			
More at Four	\$ 375,104	7,550		254	1,803	208		365,289	
	\$ 462,154	\$ 89,962	\$ 2,589	\$ 725	\$ 3,257	\$ 332	\$ 0	\$ 365,289	\$ 0
<b>Support:</b>									
Management and General	\$ 49,731	35,933	4,184	827	8,680	47	60		
System Integration	\$ 3,337	653			2,684				
	\$ 53,068	\$ 36,586	\$ 4,184	\$ 827	\$ 11,364	\$ 47	\$ 60	\$ 0	\$ 0
<b>Other:</b>									
Sales Tax Paid	\$ 2,046	\$ 0	\$ 0	\$ 2,046	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Other Funds Expenditures</b>	<b>\$ 517,268</b>	<b>\$ 126,548</b>	<b>\$ 6,773</b>	<b>\$ 3,598</b>	<b>\$ 14,621</b>	<b>\$ 379</b>	<b>\$ 60</b>	<b>\$ 365,289</b>	<b>\$ 0</b>

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

**LENOIR/GREENE COUNTY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2003**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Lenoir/Greene County Partnership for Children (Lenoir/Greene Partnership) is a legally separate nonprofit organization incorporated on October 24, 1994. The Lenoir/Greene Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Lenoir/Greene 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 Lenoir/Greene 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 Lenoir/Greene Partnership did not have any permanently restricted net assets at June 30, 2003.

- C. Basis of Accounting** - The accompanying financial statements were prepared on the modified cash basis of accounting. 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)

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However, unexpended advances to contractors that revert back to the State are recognized as a reduction to expenditures and an increase to net assets. 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 – Modified Cash Basis and consists of petty cash, cash on deposit with private bank accounts, or certificate of deposits less than 90 days.
- E. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.
- F. 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. For the year ended, the Lenoir/Greene Partnership was holding amounts withheld from employee paychecks for distribution to taxing authorities.
- G. 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 Lenoir/Greene 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 Lenoir/Greene Partnership to a concentration of credit risk. At June 30, 2003, the Lenoir/Greene Partnership's bank deposits in excess of the FDIC insured limit was \$209,500.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Associated with these contracts, the Lenoir/Greene 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 North Carolina Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Lenoir/Greene 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 Lenoir/Greene Partnership was awarded and has received \$1,266,633 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 \$41,606 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2003.

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

**More at Four** – The Lenoir/Greene Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Lenoir/Greene Partnership was awarded \$454,095 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 Lenoir/Greene Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Lenoir/Greene 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 – Modified Cash Basis. Also, the Statement of Functional

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Expenditures – Modified Cash 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 quality enhancement grants for upgrades, child care resource and referral, or child care substitutes.

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

**Family Support** - Used to account for service activities including ongoing parenting education, family literacy, or community outreach.

**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.

**System Integration** - Expenditures incurred for information management across several agencies/organizations bridging numerous service areas.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** - Allocated based on employee time reports.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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**NOTE 6 - LEASE OBLIGATIONS**

Rental expense for all operating leases during the year was \$14,436.

**NOTE 7 - PENSION PLAN**

**Retirement Plans** - The Lenoir/Greene Partnership has a Simplified Employee Pension (SEP) Plan covering all full-time employees. Each full-time employee of the Lenoir/Greene Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Lenoir/Greene Partnership contributed 6% of gross wages for the year ended June 30, 2003. The Lenoir/Greene Partnership does not own the accounts nor is liable for any other cost other than the required contribution. For the year ended June 30, 2003, the Lenoir/Greene Partnership contributed \$22,589 for pension benefits during the year.

**NOTE 8 - RESTRICTIONS ON NET ASSETS**

**Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2003 are available for the following purposes:

Purpose	Amount
Buddy Hubs Program	\$ 2,460

***Lenoir/Greene County Partnership for Children  
Schedule of Contract and Grant Expenditures - Modified Cash Basis  
For the Year Ended June 30, 2003***

***Schedule 1***

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Aaron's Playground	57,329		40,716	
Deep Run Child Care	45,036		67,487	
Farmer N Dell	67,179		27,166	
Greene County Cooperative Extension	80,906	(629)		
Greene County Public Schools	146,023		105,282	
Lenoir County Cooperative Extension	102,500	(4)		
Lenoir County Public Schools	127,105		124,638	
	<b>\$ 626,078</b>	<b>\$ (633)</b>	<b>\$ 365,289</b>	<b>\$ 0</b>
<b>Individuals:</b>				
Child Care Expense Reimbursements	36,567	(2,899)		
Scholarships/ Bonus Awards	18,861			
	<b>\$ 55,428</b>	<b>\$ (2,899)</b>	<b>\$ 0</b>	<b>\$ 0</b>
	<b>\$ 681,506</b>	<b>\$ (3,532)</b>	<b>\$ 365,289</b>	<b>\$ 0</b>

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

***Lenoir/Greene County Partnership for Children  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2003***

***Schedule 2***

Organization Name		DHHS Contracts
Greene County Department of Social Services	*	150,000
Lenoir County Department of Social Services	*	700,000
		<b>\$ 850,000</b>
<p>* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.</p>		
<p>The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards.</p>		



***Lenoir/Greene County Partnership for Children  
Schedule of Federal and State Awards - Modified Cash Basis  
For the Year Ended June 30, 2003***

***Schedule 3***

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
US Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development				
Child Care Resource and Referral	93.575	6002	\$ 67,749	\$ 68,770
<b>State Awards:</b>				
North Carolina Department of Health and Human Services				
Division of Child Development				
Pass-through from the North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program (Prior Year)		1-12-2-09-001	(15,059)	(887)
Early Childhood Initiatives Program (Current Year)		*	1,266,633	1,222,132
Multi-County Accounting and Contracting Grant		N/A	24,000	24,000
Pass-through from the Greene County Division of Social Services				
Day Care Subsidy Program Administration		N/A	19,694	
North Carolina Department of Health and Human Services				
More at Four Pre-Kindergarten Program		*	2090003323	375,104
			375,104	375,104
<b>Total State Awards</b>			<b>1,670,372</b>	<b>1,620,349</b>
<b>Total Federal and State Awards</b>			<b>\$ 1,738,121</b>	<b>\$ 1,689,119</b>
* 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.				

***Lenoir/Greene County Partnership for Children***  
***Schedule of Property and Equipment - Modified Cash Basis***  
***For the Year Ended June 30, 2003*** ***Schedule 4***

	Furniture and Noncomputer Equipment	\$	147,498
	Computer Equipment/Printers		77,452
	Buildings		293,069
	Total Property and Equipment	\$	<u>518,019</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. The valuations represent historical cost. On the modified basis of accounting, these items are expensed in the year of purchase.		

***Lenoir/Greene County Partnership for Children  
Schedule of Qualifying Match (Non-GAAP)  
For the Year Ended June 30, 2003***

***Schedule 5***

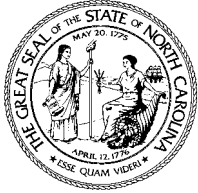
***Match Provided at the Partnership Level:***

Cash	\$ 7,504
In-Kind Goods and Services	7,061
	<u>\$ 14,565</u>

***Match Provided at the Contractor Level:***

Cash	\$ 216,245
In-Kind Goods and Services	52,654
	<u>\$ 268,899</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2001-424, Section 21.72(c). The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles.



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**

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Board of Directors  
Lenoir/Greene County Partnership for Children  
Kinston, North Carolina

We have audited the financial statements of the Lenoir/Greene County Partnership for Children (Lenoir/Greene Partnership) as of and for the year ended June 30, 2003, and have issued our report thereon dated September 29, 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 Lenoir/Greene Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests, which are reported in the Audit Findings and Recommendations section of this report, disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*.

**Finding**

Competitive Bidding

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lenoir/Greene 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 financial reporting that might be material weaknesses. A material weakness is a condition in

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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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

September 29, 2003

## AUDIT FINDINGS AND RECOMMENDATIONS

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### **Matter Related to Financial Reporting**

The following finding and recommendation was identified during the current and prior audit and describes a condition that represents noncompliance with laws, regulations, contracts, or grants.

#### COMPETITIVE BIDDING

We have reported in previous years that the Lenoir/Greene Partnership was not in compliance with the competitive bidding requirements.

*This finding is partially resolved.* The Partnership addressed bidding issues previously identified with its contracted services activities; however, documentation was not available to support the Partnership's multi-year bidding for its direct service providers.

*Recommendation:* We recommend that the Partnership continue to enhance its documentation procedures to support its efforts to comply with the legislatively mandated bid requirements as well as bidding guidance provided by its State-level funding authority.

*Partnership's Response:* We acknowledge that the multi-year bidding finding from the prior year was not completely resolved due to the contracts being in place at the time of the finding. Lenoir/Greene Partnership for Children, Inc. has implemented policies and procedures that will correct this issue in the current year and we are striving to make sure that there will not be such a finding in the future. Our goal is to make continued improvements in implementing and following policies and procedures to assure proper documentation is in place for all of our activities.

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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.

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Director, Fiscal Research Division

January 8, 2004



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