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PRESS RELEASE

For Immediate Release: April 9, 2003

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State Auditor Ralph Campbell recommends combining children's programs, tightening procedures

RALEIGH _ A 15-month study of North Carolina's Smart Start program released Wednesday by State Auditor Ralph Campbell recommends an independent review of the program's evaluation procedures, that Smart Start and the More at Four programs be combined, and that Smart Start partnerships be required to follow state rules on purchasing, contracting and other functions.

"While Smart Start is recognized as a major early childhood initiative, after 10 years and $1.1 billion spent by the State, it is appropriate that we look to see where it can be adjusted to meet the outcomes that are expected," Campbell said.

The performance audit, which began in 2001, originally was intended to study operations and also the effectiveness of both the North Carolina Partnership for Children and the 82 local Smart Start partnerships. Auditors hoped as part of that review to determine if any long-term educational improvement could be tied to Smart Start. The State's budget crisis, however, prevented the Office of the State Auditor from seeking outside expert help that would have focused on that question.

"We were forced to narrow the scope of our audit significantly because of the State's financial situation," Campbell said. "While we have been able to make some significant recommendations to improve Smart Start, we still believe that an essential question remains unanswered: Does Smart Start truly prepare children for on-going educational success?"

Auditors found that Smart Start does not keep records on individual children that would allow their educational progress to be tracked. The lack of child-specific records and input from local school superintendents limits the effectiveness of any assessments. The report also recommended that the evaluation program conducted by the University of North Carolina's Frank Porter Graham Child Development Institute be independently reviewed and validated since the Institute has been involved in the Smart Start program since its beginning.

Auditors noted a number of similarities between Smart Start, which was established in 1993, and More at Four, which began last year. Twelve of the 28 grants awarded by More at Four last year, which represented 63 percent of the program's funding, went to Smart Start partnerships. The partnerships either rolled More at Four into their list of approved activities or used the More at Four funds for existing activities that fit its criteria. Combining the two programs could save at least $216,263 a year in administrative costs alone, Campbell said.

"Any time we have a chance to eliminate duplication in government, we should take it," Campbell said. "As last year's More at Four grants indicate, these programs can easily be combined to address the needs of children without the perception of duplication or competition."

The annual financial audits of Smart Start partnerships performed by the Office of the State Auditor continue to show that 68 percent of the partnerships have financial problems with purchasing, contracting and basic business controls that would be covered by current State rules. But the partnerships generally are exempt from most State requirements involving purchasing, contracting and personnel.

"Smart Start has been depicted as a public-private partnership, and to the extent that it has given local groups the flexibility to address the needs of young children in their communities, that partnership generally has been successful," Campbell said. "However, it must be acknowledged that 95 percent of the money for Smart Start comes from the State, and taxpayers have a right to expect that the purchasing and contracting that is being done is proper and cost-effective. The rules used by state agencies offer that level of assurance."

Campbell pointed to recent Investigative audits of Smart Start partnerships in Bladen and Pender counties which documented fraudulent activities. Those audits have been referred to law enforcement agencies.

"We have some concern with the Governor's budget proposals, which would reduce the financial oversight at local partnerships from once a year to every other year," Campbell said. "We believe these partnerships need to be checked every year."

Other findings by the auditors include:

- Some expenditures in the 16 local partnerships that were studied did not appear to be reasonable, necessary or related to the Smart Start mission. One partnership bought a dental practice for $170,900 to serve clients ages 1 to 21. Smart Start's stated purpose is to help children from birth to age 5.
- The State Partnership is not performing the level of on-site monitoring and assistance required and needed by local partnerships.
- Some partnerships spent funds on capital projects and playground equipment despite legislative restrictions on those purchases.
- Multiple staff members were sometimes sent to the same out-of-state conferences. In the previous year, 25 partnerships had out-of-state travel costs that totaled $109,858.
- The State Partnership does not maintain centralized files for each partnership documenting oversight.
- The State Partnership board has not had the required number of members for more than two years; and both the State Partnership and local partnerships frequently have problems getting quorums at meetings.

The report is available on-line at http://www.ncauditor.net/EPSWEB/EDSreportdetail.asp?RepNum=PER-2003-02001.

Copies of the report may be obtained at the office's web site at www.ncauditor.net. Printed copies of the report can be obtained by filing a request under the Audits section of the web site or by calling the Office of the State Auditor at 919-807-7500.