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Cleveland County youth program inflated numbers, falsified records, Auditor Campbell says in new report

RALEIGH _ A Cleveland County nonprofit agency organized to help young people and their parents inflated the number of clients it served to retain State funding, while the agency's executive director hired her own daughter for a job for which she was unqualified, falsified expense reports and used agency funds for personal expenses, State Auditor Ralph Campbell said in an audit report released Thursday.

Auditors also found that State agencies failed to properly monitor activities of the Youth Assistance Program in Shelby, which allowed the problems to continue longer than they would have with careful oversight.

"These are the kinds of problems that we see far too often with nonprofit agencies which receive State funds," Campbell said. "Most of our nonprofits perform valuable services for the State and their communities, but the few that ignore the rules and operate without the proper local or State oversight damage the reputations of the entire nonprofit community."

In response to an allegation to the State Auditor's Hotline, investigators spent months examining the financial records of the Youth Assistance Program, which used several State grants as well as grants from the United Way to help at-risk children and provide training classes for their parents.

Auditors found that the program inflated the number of clients it served by continuing to claim students who had completed the program or dropped out. By boosting the number of clients it supposedly served, the agency drew larger grants from the State. Auditors also found that the Department of Juvenile Justice and Delinquency Prevention failed to properly monitor the program's activities.

In addition, the executive director of the Shelby program hired her daughter as education coordinator, even though the daughter did not meet the educational requirements to serve in the position. The executive director also approved falsified expenses submitted by her daughter, and payments for parenting classes that were never taught.



Financial records also indicated that the executive director and her daughter used agency funds for personal expenses, including day care for the daughter's children, and cashed agency checks for purchases that could not be documented or verified.

The agency also used grant funds to pay salaries for jobs that did not exist and violated conditions of grant contracts. The executive director also contracted with family members in addition to her daughter, creating an apparent conflict of interest.

"These are the kinds of conditions – apparent self-dealing, poor oversight and a lack of accountability – that have led to demands by the public and the Legislature for greater control over nonprofit grants," Campbell said. "We have responded to that by asking for tougher reporting requirements, which the Legislature has approved, dedicating more of our staff resources to nonprofits reporting and developing a database of grants to nongovernmental agencies so the public and lawmakers can better track where State funds are going."

The report is available on-line at <http://www.ncauditor.net/EPSSWeb/EDSreportdetail.asp?RepNum=INV-2004-0275>. The report also is available at the Office of the State Auditor web site: www.ncauditor.net. Printed copies of the report also can be ordered from the web site.

