



STATE OF NORTH CAROLINA

INVESTIGATIVE REPORT

KINSTON/LENOIR COUNTY ONE-ON-ONE, INC.

KINSTON, NORTH CAROLINA

FEBRUARY 2011

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

INVESTIGATIVE REPORT

KINSTON/LENOIR COUNTY ONE-ON-ONE, INC.

KINSTON, NORTH CAROLINA

FEBRUARY 2011

Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly Perdue, Governor
Mr. Eric Pilson, President, Board of Directors, Kinston/Lenoir County One-on-One, Inc.
Mr. Lanier Cansler, Secretary, North Carolina Department of Health and Human Services
Ms. Linda W. Hayes, Secretary, North Carolina Department of Juvenile Justice and
Delinquency Prevention
Members of the North Carolina General Assembly

Ladies and Gentlemen:

Pursuant to General Statute § 147-64.6(c) (16), we have completed our investigation of allegations concerning Kinston/Lenoir County One-on-One, Inc. The results of our investigation, along with recommendations for corrective action, are contained in this report.

Copies of this report have been provided to the Governor, the Attorney General and other appropriate officials in accordance with North Carolina General Statute § 147-64.6 (c) (12).

Respectfully submitted,

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

February 10, 2011

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INTRODUCTION

The Office of the State Auditor received allegations through the *State Auditor's Hotline* concerning the operations of the Kinston/Lenoir County One-on-One, Inc. The allegations included an assertion that the Executive Director had grossly misused state funds granted to Kinston/Lenoir County One-on-One, Inc.

To conduct our investigation of the allegations, we performed the following procedures:

- Review of applicable North Carolina General Statutes and board guidelines
- Review of Department of Juvenile Justice and Delinquency Prevention's procedures
- Interviews with staff from Department of Juvenile Justice and Delinquency Prevention
- Examination of relevant documents and records of the organization
- Interviews with members of the Board of Directors, the Executive Director, and other staff members of the organization
- Interviews with the organization's Certified Public Accountant and staff

This report presents the results of our investigation. The investigation was conducted pursuant to North Carolina General Statute § 147-64.6 (c) (16).

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ORGANIZATION OVERVIEW

Kinston/Lenoir County One-on-One, Inc. (Kinston/Lenoir) became a private non-profit (501(c) (3)) corporation organized to mentor at-risk¹ youth in Lenoir and Greene Counties on August 17, 1981. In the 2008-2009 fiscal year, the organization received \$49,500 in funding from the North Carolina Department of Juvenile Justice and Delinquency Prevention (Juvenile Justice) Governor's One on One Volunteer Program to assist at-risk youth. It also operated a teen pregnancy prevention program with \$68,000 in funding from the North Carolina Department of Health and Human Services Division of Public Health Teen Pregnancy Prevention Initiative. Kinston/Lenoir also received funding from the United Way and various other sources.

As of June 30, 2009, Kinston/Lenoir ceased operations. Kinston/Lenoir was governed by a board of directors and managed by an executive director, a staff of three, and three AmeriCorps² volunteers. Kinston/Lenoir operated from a full-time site in Lenoir County and a part-time site in Greene County. The part-time site in Greene County was operated by the Greene County Program Coordinator, who reported to the Executive Director.

¹ Youth who, because of a wide range of personal, familial, social, or academic circumstances, may experience school failure, or become involved in anti-social activities without intervention to reduce the risk factors.

² A United States federal government program with a mission to address critical needs in communities throughout America such as illiteracy, health services, disadvantaged youth, and affordable housing.

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FINDINGS AND RECOMMENDATIONS

1. THE FORMER EXECUTIVE DIRECTOR USED A CREDIT CARD ISSUED TO KINSTON/LENOIR FOR PERSONAL PURCHASES OF \$5,671.

The former Executive Director made personal purchases of at least \$5,671 with an unauthorized credit card issued to Kinston/Lenoir. Our review of credit card transactions identified numerous questionable expenditures including Burberry perfume, an Emerson microwave oven, a George Foreman grill, pre-paid gift cards, a storage ottoman, clothing, stainless steel cookware, various grocery items, a Toshiba flat screen television, a Hamilton Beach cooking appliance, a wool rug, gasoline, and tires.

Although the current and past presidents of Kinston/Lenoir agreed that \$5,671 of the purchases were for personal use, the organization's board of directors believe that all credit card purchases (92 purchases totaling \$9,820) should be deemed personal because the former Executive Director did not have authorization from the president or the board of directors to obtain the card in the name of the organization. The by-laws³ of Kinston/Lenoir empower only the president to sign all official documents; and the former Executive Director signed documents to acquire and subsequently use a credit card without authorization from the president. As a result, the former Executive Director may have violated one or more criminal statutes including North Carolina General Statutes § 14-90, §14-254, §14-100.

In addition to the potential criminal violations cited above, the unauthorized credit card purchases also represent a misuse of grant funds provided to Kinston/Lenoir from the Department of Juvenile Justice and Delinquency Prevention (Juvenile Justice) and the Department of Health and Human Services (DHHS). The former Executive Director resigned during our investigation. The president of the board said that the former Executive Director admitted misusing the credit card and assured him that he would provide restitution to Kinston/Lenoir for its misuse. The former Executive Director provided a \$1,000 personal check and returned his final paycheck of \$1,285 to Kinston/Lenoir as partial restitution.

RECOMMENDATION

The board of directors should continue to pursue restitution from the former Executive Director for the unauthorized credit card purchases. Because the organization has effectively ended its operations, any restitution received from the former Executive Director should be returned to Juvenile Justice and DHHS.

³ The laws or rules governing the internal affairs of the organization.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Note: Finding referred to the District Attorney for North Carolina Judicial District 8 and the North Carolina State Bureau of Investigation.

2. THE FORMER EXECUTIVE DIRECTOR SUBMITTED REQUESTS FOR PERSONAL TRAVEL AND CIRCUMVENTED POLICIES TO OBTAIN AN \$832 REIMBURSEMENT.

The former Executive Director submitted reimbursement requests and received \$454 for airfare and \$378 for three nights of hotel accommodations for unauthorized travel to California. The former Executive Director signed the reimbursement requests, obtained the checks, co-signed them with the organization's secretary and cashed the two checks made payable to him.

The former Executive Director received these reimbursements by first submitting requests for personal expenses and then circumventing the organization's check signing policy by obtaining the signature of the organization's secretary and not the president or treasurer's signature. The Kinston/Lenoir by-laws, article VII, section 4 required the countersigning of all checks to include the president or treasurer of the organization. The unauthorized reimbursements also represent a misuse of grant funds from the Department of Juvenile Justice and Delinquency Prevention (Juvenile Justice) and the Department of Health and Human Services (DHHS).

The current and previous board presidents stated that the trip was not authorized as a business expense and would not have been authorized if it had been formally requested; therefore, the Executive Director misused \$832 of the organization's funds. The former Executive Director stated he attended a 2008 national conference in California on mentoring children of incarcerated parents; however, the board president stated that he understood the purpose of the trip was for a personal vacation.

RECOMMENDATION

The board of directors should continue to pursue restitution from the former Executive Director for all unauthorized funds obtained by him. Because the organization has effectively ended its operations, any restitution received from the former Executive Director should be returned to Juvenile Justice and DHHS.

Note: Finding referred to the District Attorney for North Carolina Judicial District 8 and the North Carolina State Bureau of Investigation.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

3. KINSTON/LENIOR IMPROPERLY PAID \$2,560 FOR FOOD AND TRAVEL.

Kinston/Lenoir improperly paid \$2,560 for food and travel without adequate documentation. Kinston/Lenoir paid \$812 directly to the former Executive Director and \$758 to area restaurants. None of these payments were accompanied by documentation to support the business purpose of the expenditure. In addition, the former Executive Director received \$990 for mileage reimbursements for travel to stores 30 miles from Kinston to purchase general supplies for the organization. These supplies could have been acquired from local sources to minimize travel reimbursements.

The Juvenile Justice contract with Kinston/Lenoir required the organization to ensure that funds were spent in accordance with the stated purpose of the award. The DHHS contract specifically required that disbursements would be made after determining the adequacy and validity of supporting documentation. Additionally, the travel and expense policy for Kinston/ Lenoir required reimbursement for *necessary* transportation and meals. The required documentation to determine whether these expenditures were necessary was not present; therefore we believe these funds were paid improperly and represent a misuse of state funds.

Payments to the former Executive Director should have been scrutinized by board members to ensure compliance with the organization's policies and maintain an appropriate level of accountability for state funds.

RECOMMENDATION

The board of directors should continue to pursue restitution from the former Executive Director for reimbursements related to food and travel meals. Because the organization has effectively ended its operations, any restitution received from the former Executive Director should be returned to Juvenile Justice and DHHS.

4. THE FORMER EXECUTIVE DIRECTOR SUBMITTED INACCURATE REPORTS TO THE DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION.

Kinston/Lenoir's March 2009 activities report to the Department of Juvenile Justice and Delinquency Prevention (Juvenile Justice) included inaccurate data. Kinston/Lenoir's February 2009 and March 2009 reports to Juvenile Justice showed 22 matches⁴ at the beginning of each month and 17 at the end of each month for Lenoir County; and also 8 at the beginning and the end of each month for Greene County. Juvenile Justice's procedures required each month's report to use the prior month's ending match count as its beginning match count. As a result, the report for the month of March 2009 was inaccurate and not in compliance with established procedures. Additionally, 17 matches

⁴ A match occurs when a trained adult volunteer (mentor) is paired with an at-risk youth.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

equaled the minimum for the Lenoir County location (fulltime facility) to receive \$33,000 annually and 8 matches equaled the minimum at the Greene County location (part-time facility) to receive \$16,500 annually.

After our review of the February 2009 and March 2009 reports, we contacted the reported 22 mentors listed at the beginning of March 2009 as matches to at-risk youth. The results were 12 of the 22 mentors either did not know the name of their match or said they were not currently matched.

The former Executive Director resigned before submitting the April 2009 report to Juvenile Justice. The April 2009 reports were submitted by the Greene County Program Coordinator (Program Coordinator). The Program Coordinator reported a combined total of 12 matches for both locations (12 in Lenoir County and 0 in Greene County). The Program Coordinator stated he and the former Executive Director had disagreed on the matches reported prior to April 2009 and he believed the former Executive Director overstated the number of matches.

On the basis of the 12 matches submitted on the April 2009 report, Lenoir County would have qualified for only \$24,750 annually; as a ¾-time program. The Greene County location with zero matches would not have qualified for any funding.

Based on our review, we believe the former Executive Director overstated the number of matches to sustain the level of funding the organization was receiving. Moreover, the overstatement of matches may represent a violation of North Carolina General Statute § 14-254.⁵

RECOMMENDATION

The board of directors in coordination with Juvenile Justice should review all reports filed with Juvenile Justice during the former Executive Director's tenure. Any identified discrepancies or errors should be corrected through the filing of amended reports to Juvenile Justice. Any overpayments to Kinston/Lenoir should be returned to Juvenile Justice or included in the restitution sought from the former Executive Director.

⁵ Malfeasance of corporation officers and agents.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Note: Finding referred to the District Attorney for North Carolina Judicial District 8 and the North Carolina State Bureau of Investigation.

5. THE FORMER EXECUTIVE DIRECTOR FALSELY REQUESTED A \$1,100 REIMBURSEMENT FOR AN EVENT.

In March 2009, the former Executive Director requested and received a \$1,100 reimbursement⁶ from the Department of Health and Human Services (DHHS) for a Teen Pregnancy Prevention Initiative banquet. The former Executive Director deceived DHHS by falsely representing that this event had already been held; thus preventing the program from using these funds to provide a valid benefit for at-risk youth.

A banquet was held for the program participants in June 2009, months after the former Executive Director's resignation and after the May 31, 2009 expiration of the DHHS contract with Kinston/Lenoir. The banquet was held because of a commitment to the program participants. The banquet's reported \$311 cost was far less than the \$1,100 that the former Executive Director requested and received.

The former Executive Director's filing of a reimbursement request to DHHS for expenses that had not been incurred may represent a violation of North Carolina General Statute §14-254.

RECOMMENDATION

The board of directors should continue to pursue restitution from the former Executive Director for any funds obtained in an illegitimate manner. Because the organization has effectively ended its operations, any restitution received from the former Executive Director should be returned to DHHS.

Note: Finding referred to the District Attorney for North Carolina Judicial District 8 and the North Carolina State Bureau of Investigation.

6. THE FORMER EXECUTIVE DIRECTOR IMPRUDENTLY SPENT \$5,795 ON RENT, OVERNIGHT MAIL, AND A CAMERA.

The former Executive Director imprudently spent \$5,795 for unnecessary rent payments, overnight mail, and the purchase of a camera.

⁶ FY09 Itemization Report- Teen Pregnancy Prevention Initiatives

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Rent expense

From February 2008 through January 2009, Kinston/Lenoir increased its rent expense 73% from the previous 12 months. The rent expense increased from \$7,000 to \$12,110, a difference of \$5,110. This additional expense was the result of relocating the office from a shopping mall to an older residential home minimally adapted for offices. There had been no communication from mall management concerning an increase in the monthly rent. Both locations were similar in square footage; however, the mall location was more modern and conducive to an office environment. Current and former Kinston/Lenoir staff indicated the former Executive Director's decision to relocate was because of previous conflicts with the shopping mall's office manager. During our investigation we learned that the mall's office manager had been Kinston/Lenoir's former treasurer and left the organization because of on-going conflicts with the former Executive Director over his expense reporting and other concerns.

Overnight mail

From July 31, 2007 through March 8, 2009, \$508 was spent on overnight mail, \$472 more than first class mail. There were usually three mailings per month, each costing about \$16 more than first class mail. Overnight mail was used monthly to send funding reports to Raleigh and health insurance checks to an insurance company. Kinston/Lenoir's Administrative Assistant said the funding agency reports were sent overnight mail because they were not prepared until after it was too late to reach their destinations by the required deadlines using regular mail. The Administrative Assistant added there was no reason the reports could not have been completed earlier. The Administrative Assistant also stated the health insurance checks were held as long as possible due to the organization's cash flow problems.

Camera purchase

The former Executive Director purchased a camera for \$213 on June 7, 2007; and one year after its purchase, the camera remained unused and stored in its original packaging. The former Executive Director stated he had mistakenly thought the camera was digital when he made the purchase and did not return the camera within the required time period for a refund.

In our opinion, expenditures for excessive rent, unnecessary overnight mail, and a camera that was never placed in service represent a waste of state resources and diminished Kinston/Lenoir's ability to provide assistance to at-risk youth.

RECOMMENDATION

Because the organization has effectively ended its operations, the board of directors should coordinate with Juvenile Justice and DHHS to determine an appropriate use for the camera purchased with state funds.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

7. THE BOARD OF DIRECTORS DID NOT ADEQUATELY OVERSEE OPERATIONS.

The Board of Directors did not sufficiently exercise its responsibilities to monitor operations and ensure funds were used in the most effective and efficient manner to fulfill Kinston/Lenoir's mission. The Governor's One-on-One Volunteer programs identify the primary responsibility⁷ "*of the Board of Directors/Advisory Council is to oversee program services and financial operations.*" The areas that the board should have exercised more oversight include the following:

Employment of the former executive director

The Kinston/Lenoir County One-on-One, Inc. Personnel Manual (Section II, Subsection H) requires pre-employment background checks for all employees. No board member obtained and reviewed formal background information on the former Executive Director; the person designated as the operational leader of the organization. The president of the board stated the former Executive Director was never questioned about his background including unsettled money judgments to the State of North Carolina (\$5,186) and to an insurance company; a criminal worthless check conviction; and a conviction of assault on a female.

Approval for charges on unauthorized credit cards and reimbursement requests

Article VII, Section 4 of the Kinston/Lenoir County One-on-One, Inc.'s bylaws require the Treasurer to "*oversee that the monies of the corporation are disbursed in payment of the just demands of the corporation... retaining proper vouchers for such disbursements... All checks shall be countersigned by either the Treasurer or the President.*" The former board presidents said they were unaware of Kinston/Lenoir's credit card. However, payments to a credit card company were signed by board members. The board members authorization of payments without reviewing supporting documentation suggests that their approvals of payments were perfunctory.

Kinston/Lenoir's by-laws require "proper vouchers" for disbursements; however, payments were authorized by board personnel on the strength of photocopied receipts, vendor statements, and photocopied excerpts of the former Executive Director's credit card. The former Executive Director's reimbursement requests often lacked dates, destinations, or a stated purpose but were still approved and paid. Approval of payments based on documentation that is not in its original state increases the risk that funds could be used for inappropriate payments.

⁷ NC Department of Juvenile Justice and Delinquency Prevention IP/001, Governor's One-on-One Volunteer Programs. Program Standards, VII. Program Responsibilities, B. Board of Directors

FINDINGS AND RECOMMENDATIONS (CONCLUDED)

Assurance of effective internal controls

The former Executive Director represented to investigators that their engagement of a certified public accounting firm for issuance of all checks was an internal control; however, the accounting firm was primarily engaged to prepare checks for payment. The accounting firm was not engaged to audit the completeness of documentation presented to them or the appropriateness of expenditures. Other duties of the accounting firm included: reconciling the monthly bank statement, preparing financial statements, preparing payroll tax returns, and preparing the annual 990 form for Internal Revenue Service reporting. If the check requests were less than or equal to \$500, the only requirement was the former Executive Director's signature on the reimbursement documentation. By not ensuring effective internal controls were in place, the board did not fulfill its obligation to adequately oversee financial operations and the delivery of program services.

Monitoring

Management did not have control mechanisms in place to continually or even periodically verify that matches were actually developed and working. Consequently, the former Executive Director was able to file inaccurate match data to state agencies (Finding 4).

Management allowed the monthly office rent expense to increase by 73 percent (Finding 6). Based on Kinston/Lenoir's limited funding, it was extremely important for the organization to exercise prudent fiscal practices to continue operating. By allowing funds to be spent in this manner, Kinston/Lenoir decreased its ability to provide resources to at-risk youth.

RECOMMENDATION

Because the organization has effectively ended its operations, the board of directors should return any residual funds in the organization's control to DHHS and Juvenile Justice. Any restitution received from the former Executive Director should be returned to Juvenile Justice and DHHS.

RESPONSE FROM KINSTON/LENOIR COUNTY ONE-ON-ONE, INC.

Kinston-Lenoir County One-on-One, Inc.
9210 Highway 55 West
Dover, NC 28526

December 16, 2010

Ms. Beth Wood, CPA
Office of the State Auditor
2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699

Dear Auditor Wood:

The former Board of Directors, Kinston-Lenoir County One-On-One, Inc., regrets it did not discover the misuse of funds by the former executive director as found in this report.

Sincerely,



Eric Pilson
Former President
Kinston-Lenoir County One-On-One, Inc.

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RESPONSE FROM DEPARTMENT OF HEALTH AND HUMAN SERVICES



North Carolina Department of Health and Human Services
2001 Mail Service Center • Raleigh, North Carolina 27699-2001
Tel: 919-733-4534 • Fax: 919-715-4645

Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

February 7, 2011

Beth A. Wood, CPA, State Auditor
State of North Carolina
Office of State Auditor
20601 Mail Service Center
Raleigh, NC 27699-0601

Dear Ms. Wood:

We are in receipt of your letter and Confidential Draft Report regarding the investigation of allegations concerning Kinston/Lenoir County One-on-One, Inc.

The contract #01339-10 Kinston/Lenoir County One-on-One, Inc. was with the Division of Public Health, Women's & Children's Health Section, Women's Health Branch.

As you can see from the attached documentation, the Division of Public Health provided a letter addressed to Mr. Eric Pilson, Board President, and their FY2009 Site Visit Report showing the organization's final evaluation rating and noted deficiencies throughout. The Division of Public Health terminated the contract on May 31, 2009.

Again, thank you for sharing this report with us. As your report recommends any restitution received from the former Executive Director should go the Division of Public Health, and Juvenile Justice which funded services through contracts with Kinston/Lenoir County One-on-One, Inc. The Division of Public Health will continue to seek funds as they may become available.

If you have further questions, or need additional information, please feel free to call Dan Stewart, at (919) 733-4534 or Dennis Harrington at (919) 707-5051.

Sincerely,


for Lanier M. Cansler

cc: Dan Stewart
Jeff P. Engel
Leigh A. Kerr
Laketha Miller
Eddie Berryman
Allen Hawks
Allyson Lyon

Attachment

Location: 101 Blair Drive • Adams Building • Dorothea Dix Campus • Raleigh, N.C. 27603
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**North Carolina Department of Health and Human Services
Division of Public Health**

1931 Mail Service Center • Raleigh, North Carolina 27699-1931

Beverly Eaves Perdue, Governor
Lanier M. Cansler, Secretary

Jeffrey P. Engel, M.D.
State Health Director

May 27, 2009

Mr. Eric Pilson
Board President
Kinston/Lenoir County One on One, Inc.
1001 North Queen Street
Kinston, NC 28501

Dear Mr. Pilson:

I am writing to inform you that the Division of Public Health will not renew the contract with your agency to implement an adolescent pregnancy prevention program. The current contract will end on May 31, 2009.

Rodney Crownover, the Team Leader of the Teen Pregnancy Prevention Initiatives, conducted a site visit on May 21, 2009, following an audit of your agency by the North Carolina Office of the State Auditor, and the subsequent and sudden resignation of your Executive Director. Mr. Crownover identified several expenses which were not approved in the contract and do not appear to be related to the pregnancy prevention program. These expenses include DVD movies, personal care items, certain grocery items, and gasoline. Given that several enrichment activities specified in the contract were not implemented, these purchases suggest that state funds may have been misappropriated. More information about the site visit findings can be found in the enclosed report.

Based on discussions Mr. Crownover had with you and Tamia Mewborn, the Program Coordinator, it appears that Shawn Howard, the former Executive Director, was responsible for using contract funds for non contract purposes. However, it also seems clear that your agency lacks effective internal controls. While your agency policy specifies a process for approving purchases and payments, this process is either not sufficient for preventing the misuse of funds or it is not being implemented as it is intended.

It is unfortunate that this situation may cause a gap in services for some young people in Lenoir County. We hope that these youth can be referred to other programs and services in the county.

Sincerely,

Joe Holliday, MD, MPH
Branch Head
Women's Health

CC: Kevin Ryan
Sydney Atkinson
Rodney Crownover
Sharon Smith



North Carolina Public Health
Working for a healthier and safer North Carolina
Everywhere Everyday Everybody.



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RESPONSE FROM DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION



**STATE OF NORTH CAROLINA
DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
1801 MAIL SERVICE CENTER
RALEIGH, NORTH CAROLINA 27699-1801
TELEPHONE: (919) 733-3388**

**Beverly Eaves Perdue
Governor**

**Linda Wheeler Hayes
Secretary**

January 24, 2011

Beth A. Wood, CPA
State Auditor
2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601

Dear Auditor Wood:

Thank you for your recent communications concerning the results of the investigative review performed as a result of allegations concerning Kinston/Lenoir County One-on-One, Inc. The North Carolina Department of Juvenile Justice and Delinquency Prevention (hereinafter "Department") awarded grant funds totaling \$49,500 to the organization for the period of July 1, 2008 through June 30, 2009 for the purpose of mentoring services for adjudicated and at-risk youth. The grants awarded reflect \$33,000 for Lenoir and \$16,500 for Greene counties, respectively.

Kinston/Lenoir County One-on-One, Inc. received funding from the Department for a number of years for traditional mentoring services. Governor's One-on-One funding was provided to Greene County for fiscal year 2008-2009 for group mentoring services only. In fiscal year 2008-2009, the Department funded approximately 46 Governor's One-on-One Volunteer Programs throughout North Carolina and regrettably, effective July 1, 2009, funding for the mentoring initiative was eliminated.

Governor's One-on-One Volunteer Program funding was approved and disbursed to subsidize salaries and fringe benefits for those staff directly involved with mentoring youth. These funds were provided to programs on a reimbursement basis. Organizations including Kinston/Lenoir County One-on-One, Inc., were required to provide copies of actual paychecks, general ledgers, and payroll journals confirming the paychecks were recorded in their financial accounting systems.

The Department reviewed and approved incoming reimbursements based on actual salaries paid for Kinston/Lenoir One-on-One, Inc. Payments were made for three (3) employees at 21%, 70% and 80% of their actual wages. The Department's approval of reimbursements excluded expenditures outside of payroll, such as the type of expenditures identified in findings 1, 2, 3, 5, and 6. Funds disbursed to the organization for payroll expenses were made in accordance with the Department's contractual agreement with Kinston/Lenoir One-on-One, Inc.

For clarification purposes, it should be noted that Kinston/Lenoir One-on-One, Inc. participated in a pilot group mentoring initiative exclusively for youth residing in Lenoir County. The organization along with other Governor's One-on-One Volunteer programs across the state agreed to incorporate group mentoring services without additional Department funding. For the month of February 2009, the Executive Director submitted reports that reflected a total of 25 youth served. These youth were reportedly engaged in both traditional and group mentoring services. A breakdown of youth participants identified 17 traditional

*Physical Location: 3010 Hammond Business Place • Raleigh, North Carolina 27603
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one-on-one matches and eight (8) group mentoring participants. The February 2009 report also included a roster printout of 25 youth that were currently being served by the program. The March 2009 reports submitted by the Executive Director for services in Lenoir County reflected the same information from the February 2009 report.

As part of the Department's desktop review of mentoring program services, the Executive Director was contacted via phone and email to address data contained in the March 2009 report. The Executive Director was non-responsive, and the Department was later informed of his resignation in April 2009.

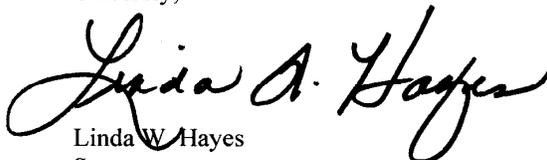
It was not uncommon for organizations providing mentoring services to experience periods of inactivity to secure new matches as required. Therefore, the Department monitored youth match activity both on a monthly basis and cumulatively at the end of each fiscal year. Compliance was not determined solely by monthly youth match activity. The Department is in agreement that March 2009 reports were inaccurate and not in compliance with procedures; however, the organization may not have been out of compliance with total youth served and admissions requirements at the end of the fiscal year.

Group mentoring services reported for Greene County indicated there were four (4) youth participants during the fiscal year. The Department concedes that reports from Kinston/Lenoir One-on-One, Inc. were overstated as the organization did not respond to the Department's inquiry regarding these matches until April 2009.

The Department will support any efforts on the part of your office in conjunction with the District Attorney for North Carolina Judicial District 8 and the North Carolina State Bureau of Investigation to recover funding concerning the overstatement of matches in Lenoir and Greene Counties as matches were an internal part of determining annual funding levels.

As you know, we support the hard work of you and your staff and your goals to ensure public resources are being properly accounted for. On behalf of our staff, we thank you and look forward to continued dialogue in the future.

Sincerely,



Linda W. Hayes
Secretary

LWH/AM/th

pc: Dr. Robin Jenkins
Teresa Price

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

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State of North Carolina
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Raleigh, North Carolina 27699-0601

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