

**Non-City Agency  
Program Specific Performance Evaluations**

**JUNE, 2011**

**DURHAM**



**1869**  
CITY OF MEDICINE

101 City Hall Plaza  
Durham, NC 27701  
(919) 560-4213

**Director of Audit Services**  
Germaine Brewington, MBA, CPA

**Audit Services Manager**  
Sonal Patel, CPA, CIA

**Senior Auditor**  
Eric E. Walker, CFE



CITY OF DURHAM

Memorandum

To: Audit Services Oversight Committee  
From: Germaine Brewington, Director of Audit Services  
Date: August 15, 2011  
**RE: Transmittal of Non-City Agency Program Specific Performance Evaluations (June 2011)**

Attached is the report of the Non-City Agency Program Specific Performance Evaluations (June 2011). The purpose of the program specific evaluations is to provide some level of assurance that non-city agencies receiving less than \$30,000 in grant assistance are spending the City of Durham grants in compliance with the terms of the grant agreements. Additionally, program specific evaluations alleviate the substantial financial burden on non-city agencies to obtain an audit by an independent CPA firm. Non-city agencies receiving more than \$30,000 in grant assistance are required to obtain an audit by an independent CPA firm.

This report presents the observations and recommendations of the Audit Services' staff for the two non-city agencies selected for evaluation. The agencies selected were:

- Durham Congregations in Action
- Ligo Dojo of Budo Karate

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## BACKGROUND INFORMATION

On September 16, 2002 the City Council approved the recommendations included in a memorandum relating to audit requirements of non-city agencies receiving grants from the City. That memorandum described the different levels of funding currently being given to the non-city agencies and the financial impact on the agencies of having to obtain a certified audit from an independent CPA firm.

All agencies receiving \$30,000 or more of City grants are required to obtain a certified audit from an independent CPA firm. Those agencies that receive less than \$30,000 can obtain a certified audit but are not required to. In lieu of an audit, the non-city agency can submit a sworn statement and be subject to the Audit Services Department performing a program specific evaluation.

Since adoption of this policy, the Audit Services Department has audited \$489,682 or 16% of all non-city agency grants less than \$30,000. Following is a table detailing the amounts by year.

Year	Total Awards Less than \$30,000	City of Durham Audits	
		Dollar	Percent
2002-2003	\$ 334,185	\$ 36,361	11%
2003-2004	320,402	51,837	16%
2004-2005	391,502	47,940	12%
2005-2006	416,594	59,000	14%
2006-2007	377,957	53,340	14%
2007-2008	388,478	57,881	15%
2008-2009	409,526	114,439	28%
2009-2010	358,320	56,856	16%
2010-2011	48,239	12,028	25%
Cumulative	\$3,045,203	\$ 489,682	16%

For the 2010-2011 fiscal year, 9 non-city agencies received grants for less than \$30,000 from the City of Durham.

## **BACKGROUND INFORMATION (CONTINUED)**

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The following table lists the names of each agency receiving less than \$30,000 for the 2010 – 2011 Fiscal Year.

<u>Non-City Agency</u>	<u>Grant Amount</u>
Center for Documentary Studies	1,203
Clean Energy Durham	4,010
Coordinating Council for Senior Citizens	4,678
Durham Companions Mentoring Program	706
Durham Congregations in Action	6,014
Durham Media Center	20,000
Ligo Dojo of Budo Karate	6,014
North Carolinians Against Gun Violence	4,277
Project Graduation	1,337

### **Purpose**

The purpose of the program specific evaluations is to provide some level of assurance that non-city agencies are spending City of Durham grants in compliance with the terms of the grant agreement, without putting a substantial financial burden on the agencies to obtain an audit by an independent CPA firm.

We conducted this performance audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **Results in Brief**

The Audit Services Department reviewed the financial and administrative records for two of the non-city agencies that received less than \$30,000 in 2010-2011. Following is a summary of the non-city agencies and the exceptions noted:

- Durham Congregations in Action  
*No material exceptions noted.*
- Ligo Dojo of Budo Karate  
*No material exceptions noted.*

## **OBJECTIVES, SCOPE AND METHODOLOGY**

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### **Objectives**

The objectives of the program specific evaluations are: 1) to provide City management with some level of assurance that non-city agencies are spending City grants in compliance with the terms of the grant agreements; and, 2) minimize the financial burden on the non-city agencies to obtain an audit by an independent CPA firm.

### **Scope**

During the 2010-2011 fiscal year, 9 non-city agencies each received less than \$30,000 in grants from the City of Durham. The Audit Services Department randomly selected 2 of the 9 non-city agencies to examine. These agencies received \$12,028, of the \$48,239 total grants awarded. These agencies included:

- Durham Congregations in Action
- Ligo Dojo of Budo Karate

### **Methodology**

The review included such tests of records and other auditing procedures deemed necessary under the circumstances. For each of the four agencies selected the following limited tests were performed:

- Reviewed documentation supporting the expenditures (invoices, payroll records, etc.) charged to the City of Durham grant and compared these amounts to the original budget and grant documents;
- Reviewed bank statements and the related reconciliations;
- Reviewed the semi-annual report submitted to the City of Durham;
- Reviewed program results (attendance records, etc.);
- Reviewed most recent IRS Form 990;
- Reviewed IRS determination letter; and
- Reviewed board of director meeting minutes.

During the audit, staff also maintained awareness to the potential existence of fraud.

## AUDIT RESULTS

The following table reflects the results of each procedure that was performed:

<b>Procedure</b>	<b>Durham Congregations in Action</b>	<b>Ligo Dojo of Budo Karate</b>
<i>Review supporting documents</i>	No exceptions	No exceptions
<i>Review bank reconciliations</i>	No exceptions	No exceptions
<i>Review semi-annual report</i>	No exceptions	No exceptions
<i>Review program results</i>	Complied with grant request	Complied with grant request
<i>Review Form 990</i>	Appears timely filed and accurate	Appears timely filed and accurate
<i>Review IRS Determination Letter</i>	Qualifying non-profit 501(c)(3)	Qualifying non-profit 501(c)(3)
<i>Review board of director meeting minutes</i>	No significant items noted	No significant items noted

No Recommendations