

STATE OF NORTH CAROLINA

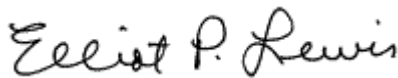
**EVALUATION OF GRANT OBLIGATIONS
AND EXPENDITURES**

**WORKFORCE INVESTMENT ACT GRANTS
AND JOB TRAINING PARTNERSHIP ACT
TRANSITION FUNDS**

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

JULY 1, 2000 THROUGH MARCH 31, 2002

This agreed-upon procedures report was prepared by Harper, Rains, Stokes and Knight, P.A., under contract to the U.S. Department of Labor, Office of the Inspector General, and, by acceptance, it becomes a report of the Office of Inspector General.



Assistant Inspector General for Audit
U. S. Department of Labor

Report No: 04-03-012-03-390
Date Issued: March 28, 2003

HARPER, RAINS, STOKES, & KNIGHT, P.A.

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ACRONYMS

CFR	Code of Federal Regulations
DET	North Carolina Department of Commerce, Division of Employment and Training
DOL	U.S. Department of Labor
ETA	Employment and Training Administration
FIFO	First-In-First-Out
FMIS	Financial Management Information System
FSR	Financial Status Report
FY	Fiscal Year
JTPA	Job Training Partnership Act
MFR	Monthly Financial Report
OIG	Office of the Inspector General
PY	Program Year
PYA	Program Year Allocation
WIA	Workforce Investment Act

HARPER, RAINS STOKES & KNIGHT

Mr. Elliot P. Lewis
Assistant Inspector General for Audit
Office of Inspector General
U.S. Department of Labor

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We performed the procedures enumerated in the "Procedures and Findings" section of this report. The U.S. Department of Labor (DOL), Office of Inspector General (OIG), agreed to these procedures for evaluating the State of North Carolina's obligation and expenditure activities for available Job Training Partnership Act (JTPA) balances and Workforce Investment Act (WIA) funds that occurred during the period July 1, 2000 through December 31, 2001. In certain instances, we obtained obligation information subsequently reported by the State and Local Boards for the March 31, 2002 reporting period.

The Division of Employment and Training within the North Carolina Department of Commerce is responsible for reporting grant obligations and expenditures to the Employment and Training Administration (ETA). ETA is responsible for recording grant obligations and reported expenditures in the DOL's general ledger.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures performed for the purpose for which this report has been requested or for any other purpose.

The results of our procedures are described in the "Procedures and Findings" section of this report.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the amounts reported on by the State as obligations, expenditures and unobligated balances. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOL, OIG, and is not intended to be and should not be used by anyone other than the specified party.

Harper, Rains, Stokes & Knight, P.A.

July 19, 2002

SUMMARY OF RESULTS

We obtained and summarized the WIA funds obligated and expended as of December 31, 2001 by the State of North Carolina. We determined that the obligation information reported by the State as of December 31, 2001 included actual obligations for Statewide activities. However, obligations reported on the FSRs for Local Board activities were the amounts passed through the State to the Local Boards rather than the amounts that the Local Boards had actually obligated.

We found that State accounting records supported the amounts reported as obligations and expenditures on quarterly FSRs. Additionally, accounting records at three Local Boards we visited supported reported expenditures.

Procedures were established for recording expenditures on the accrual basis of accounting in accordance with Federal regulations. Available funds and expenditures reported to the State by Local Boards were substantiated by contracts and monthly reports received from contractors.

As of December 31, 2001 North Carolina had expended \$69.4 million of the \$122.9 million awarded, leaving \$53.5 million or 43.5 percent unexpended. At this rate of spending, it would take approximately fourteen months to spend the remaining funds, during which time the State would receive additional WIA allocations.

The State and Local Boards charged expenditures to WIA on a First-In-First-Out (FIFO) basis, rather than matching Program Year (PY) expenditures with the grants applicable to the period in which the expenditure accrued. As a result, a particular period's actual cost of operation could not be associated with the funding for the same period.

State of North Carolina's Response

The North Carolina Department of Commerce provided a written response to our draft report, dated March 25, 2003, which is included in its entirety at Exhibit II. In general, the State agreed with the information presented in the report, but provided additional comments. North Carolina stated that it is impracticable to operate the WIA program in any way other than by charging and reporting expenditures utilizing the FIFO method.

Our procedures were not intended to determine North Carolina's compliance with program requirements. However, by using the FIFO basis, North Carolina does charge current expenditures to prior period funds until exhausted.

BACKGROUND, SCOPE AND METHODOLOGY

Background

WIA, enacted in 1998, was designed to reform prior Federal job training programs and to create a new, comprehensive workforce investment system. The reformed system intends to provide customer-focused services, assist Americans in accessing the tools needed to manage their careers through information and services, and assist U.S. companies in finding skilled workers. The Act superseded JTPA and amended the Wagner-Peyser Act.

Initial grants for the WIA program were awarded by DOL, ETA, beginning in PY 2000. However, unexpended funds from the PY 1998 and PY 1999 JTPA State grants were authorized for transition into the WIA program. Generally, the states are required to pass through approximately 85 percent of the awards received from DOL to Local Boards (subrecipients). States have the original program year plus two additional program years to spend the grant funds. However, funds allocated by a State to a Local Board for any program year are available for expenditure only during that program year and the succeeding program year. Funds that are not expended by a Local Board in this two-year period must be returned to the State.

States are required to report WIA activities on quarterly Financial Status Reports (FSRs). Accrued expenditures and obligations are key items reported on the FSRs. Accrued expenditures are reported when a valid liability has been created through delivery of goods or services, regardless of when cash payment is made. For example, salaries earned by employees, but not yet paid, should be recorded as accrued expenditures. The States or Local Boards reports obligations when certain events occur that will require payment in the same or a future period. Obligations are defined in the WIA regulation as follows:

. . .the amounts of orders placed, contracts and **subgrants awarded**, goods and services received, and similar transactions during a funding period that will require payment by the recipient or subrecipient during the same or a future period [20 CFR 660.300] (emphasis added).

However, according to ETA, Office of Grants and Contract Management, States have been verbally instructed to report obligations incurred at the State level (Statewide Activities and Rapid Response) at the time obligations are incurred by the state. Likewise, the State has been instructed to report obligations for Local Board activities (Local Administration, Youth, Adult and Dislocated Workers) only for those amounts of funding for which a legal obligation exists at the Local Board level. ETA had not clearly specified whether Local Board obligations or the State's pass-through awards should be included on FSRs.

Scope and Methodology

Our agreed-upon procedures encompass WIA funds awarded to North Carolina for PY 2000, Fiscal Year (FY) 2001, PY 2001 and FY 2002, as well as PY 1998 and PY 1999 JTPA funds transitioned into the WIA program. Procedures were applied to grant activities reported by the State and three Local Boards (Capital Area, Eastern Carolina and Region “L”) from July 1, 2000 through December 31, 2001. For procedure number 7, we obtained information subsequently reported by the State for the March 31, 2002 reporting period.

In general, our procedures were designed to summarize North Carolina’s WIA financial activity (obligations and expenditures) through December 31, 2001, to determine if amounts reported to ETA agreed with supporting accounting records, and to measure the extent to which the State and Local Boards have obligated and expended WIA funds.

PROCEDURES AND FINDINGS

- 1. Interview the appropriate State personnel regarding how information is accumulated from the Local Boards and about the preparation of the FSR 269s. Using this information, verify exactly what obligations were reported on the December 31, 2001 WIA Quarterly Financial Status Reports. Determine if the amounts passed through to the Local Boards are reported as obligations on the FSRs. Based on the information obtained, determine if the State is reporting obligations as described at 20 CFR 660.300 to include subgrants awarded to subrecipients.**

As of December 31, 2001, amounts reported as “obligations” on FSRs prepared by the State represented amounts which had been allocated to Local Boards for the Adult, Youth and Dislocated Worker programs as well as amounts allocated for administrative expenses at the Local level. Obligations for Statewide Activities and Rapid Response did represent legal obligations to service providers.

When the State allocated funds to Local Boards, the full amount of the award was recorded in the North Carolina Department of Commerce, Division of Employment and Training (DET) Financial Management Information System (FMIS). Local Board level obligations and expenditures were reported to DET on Monthly Financial Reports (MFRs). Local Boards’ reporting process is discussed at item 4 of this report.

According to representatives of DET, amounts passed through to the Local Boards are considered “obligated” at the time the funds are allocated among the Local Boards. Reporting funds passed to Local Boards as “obligated” does not consider whether bona fide legal obligations exist.

Based on our review of supporting schedules and reports provided as support for the FSRs, we determined that obligations reported on the FSRs represented amounts awarded as subgrants to subrecipients. Consequently, DET was reporting obligations as defined in 20 CFR 660.300.

2. **Determine how the State tracks the various funding periods for both State activities and Local Board activities, and if data is accounted for in a manner that will allow expenditures to be matched against the appropriate obligation.**

Based on discussions with representatives of DET and examination of financial records at the State and Local Board levels, we determined that DET does not match expenditures with the appropriate fiscal period's funding. Rather, expenditures of a given period are charged against the oldest available funding.

Expenditure information reported to the State by the Local Boards is segregated by funding period. However, reported expenditures were charged to the earliest year that funding remained available, rather than the year in which expenditures accrued. As a result, a program year's actual cost could not be matched with the period for which it was funded.

3. **Determine if the cost information (Outlays on the December 31, 2001 FSRs) was reported on the accrual basis of accounting as required at 29 CFR 97 and the WIA reporting instructions at 20 CFR 667.300 (c) (3).**

State officials stated that reported expenditures were inclusive of accruals in accordance with 29 CFR 97 and the WIA reporting instructions at 20 CFR 667.300. DET's Financial Management Policy guidelines did require Local Boards to report expenditures on MFR's for which goods and services had been provided but payment had not been made.

We made specific inquiries of Local Board representatives regarding the inclusion of accruals in reported expenditures. One of the three Local Boards visited, the Eastern Carolina Local Board, did not report on the accrual basis until 2002. The remaining two Local Boards visited stated that reported expenditures were, in fact, inclusive of accruals as is required by 29 CFR 97 and 20 CFR 667.300.

- 4. Determine what information is required to be reported by the Local Boards to the State, including the content, format, frequency and any written instructions issued by the State. Obtain copies of reports submitted by the Local Boards and copies of written instructions.**

DET's Financial Management Policy manual required monthly reporting of Local Board expenditures by "Program Year Allocation" (PYA). Local Board Obligation information is not captured by the FMIS. The Local Boards submit a Monthly Financial Report (MFR) electronically via the FMIS. These MFRs are due by the last working day of the month following the month reported. Expenditures are reported on a cumulative basis for the program year, purportedly inclusive of accruals.

- 5. Obtain or prepare from documents supporting the FSR 269s, a summary of the MFRs from the Local Boards and analyze this information to select the Local Boards to visit.**

To select Local Boards for conducting site-fieldwork, we summarized available funding and expenditures for each Board. We made a judgmental selection of three Local Boards to review. The selection included the Capital Area, Eastern Carolina and Region "L" Local Boards.

- 6. Compare the information compiled at ETA to the reports prepared by the States and explain any differences determined.**

We compared the FSR data reported by DET to the DOL to corresponding data compiled at ETA. Information on the FSRs agreed to the information compiled at ETA. Key elements of the FSR data were extracted from the reports, including Total Federal Funds Authorized, Obligations, Outlays (accrued expenditures), and the Unobligated Balance of Federal Funds for each PY and FY. The extracted data was used to perform the analytical procedures described at item 7 of this report.

7. **Perform an analytical review of the information obtained to develop trend information and investigate any unusual relationships noted.**

Total Federal Funds Authorized

The table below shows total WIA funds awarded by the DOL to North Carolina since inception of the WIA program:

Funding Period	Beginning of Spending Period	Expiration of Spending Period	Total WIA Funds Awarded
PY 1998	JTPA transition	June 30, 2001	\$ 1,582,176
PY 1999	JTPA transition	June 30, 2002	\$ 26,128,641
PY 2000	July 1, 2000	June 30, 2003	\$ 23,561,472
FY 2001	October 1, 2000	June 30, 2003	\$ 21,935,374
PY 2001	July 1, 2001	June 30, 2004	\$ 27,757,383
FY 2002	October 1, 2001	June 30, 2004	\$ 23,413,117
<u>Less:</u>	PY 2001 Rescission		(\$ 1,459,422)
	Total Awards		\$ 122,918,741

WIA funds are awarded on a PY basis from July 1 to June 30, except for Youth grants that are available in the April preceding the start of the PY. However, a portion of PY 2000 and 2001 funding, denoted as “FY” above, was not available until October 1 of each respective PY.

7. (Continued)

WIA Funds Obligated

Data presented below reflects total WIA funds obligated by the State as of December 31, 2001.

Funding Year	Total Funds Awarded (in millions)	Total WIA Funds Obligated (in millions)	Amount Unobligated (in millions)	Percent of Funding Unobligated
PY 1998	\$ 1.6	\$ 1.6	\$ 0.0	0.0 %
PY 1999	\$ 26.1	\$ 25.8	\$ 0.4	1.5 %
PY 2000	\$ 23.6	\$ 23.5	\$ 0.0	0.0 %
FY 2001	\$ 21.9	\$ 21.8	\$ 0.1	0.5 %
PY 2001	\$ 27.8	\$ 24.7	\$ 3.1	11.2%
FY 2002	\$ 23.4	\$ 19.8	\$ 3.6	15.4 %
Less: PY 2001 Rescission	(\$ 1.5)	N/A	(\$ 1.5)	N/A
Total	\$ 122.9	\$ 117.2	\$ 5.7	4.6 %

Note: Information in the above table was obtained from quarterly Financial Status Reports prepared by DET and summarized. Additionally, a portion of PY 2001 funding was rescinded as noted above. In some instances, individual amounts in the above columns do not sum to the amount presented as the "Total" due to rounding differences.

Of the total \$122.9 million in available funding, \$5.7 million (4.6 percent) was reported as unobligated as of December 31, 2001. However, as discussed further at item 1 of this report, in addition to obligations made at the State level, North Carolina reports funds to be "obligated" upon their allocation to the Local Boards.

7. (Continued)

WIA Funds Obligated

In response to a request by DOL-OIG, we obtained the amounts of actual obligations that represented legal liabilities as of March 31, 2002. The information summarized below was provided by DET.

Funding Year	Total Funds Awarded (in millions)	Total WIA Funds Obligated (in millions)	Amount Unobligated (in millions)	Percent of Funding Unobligated
PY 1998	\$ 1.6	\$ 1.6	\$ 0.0	0.0 %
PY 1999	\$ 26.1	\$ 26.1	\$ 0.0	0.0 %
PY 2000	\$ 23.6	\$ 23.4	\$ 0.2	0.8 %
FY 2001	\$ 21.9	\$ 21.1	\$ 0.8	3.7 %
PY 2001	\$ 27.8	\$ 13.7	\$ 14.1	50.7%
FY 2002	\$ 23.4	\$ 15.4	\$ 8.0	34.2 %
Less: PY 2001 Rescission	(\$ 1.5)	N/A	(\$ 1.5)	N/A
Total	\$ 122.9	\$ 101.2	\$ 21.7	17.7%

Note: Information in the above table regarding actual obligations was obtained from representatives of DET and summarized. Additionally, a portion of PY 2001 funding was rescinded as noted above. In some instances, individual amounts in the above columns do not sum to the amount presented as the "Total" due to rounding differences.

Of the total \$122.9 million in available funding, \$21.7 million (17.7 percent) was actually unobligated as of March 31, 2002. The amount of actual obligations at March 31, 2002 was \$16 million less than the amount reported three months earlier at December 31, 2001.

7. (Continued)

Total Federal Expenditures

The following summary reflects the total WIA expenditures reported by the State of North Carolina through December 31, 2001. These amounts are recorded in DOL's general ledger.

Funding Year	Total Funds Awarded (in millions)	Total Expenditures (in millions)	Amount Unexpended (in millions)	Percent of Funding Unexpended
PY 1998	\$ 1.6	\$ 1.6	\$ 0.0	0.0%
PY 1999	\$ 26.1	\$ 25.6	\$ 0.6	2.3%
PY 2000	\$ 23.6	\$ 19.9	\$ 3.7	15.7%
FY 2001	\$ 21.9	\$ 15.9	\$ 6.0	27.4%
PY 2001	\$ 27.8	\$ 5.8	\$ 22.0	79.1%
FY 2002	\$ 23.4	\$ 0.7	\$ 22.7	97.0%
Less: PY 2001 Rescission	(\$ 1.5)	N/A	(\$ 1.5)	N/A
Total	\$ 122.9	\$ 69.4	\$ 53.5	43.5%

Note: Information in the above table was obtained from quarterly Financial Status Reports prepared by DET and summarized. Additionally, a portion of PY 2001 funding was rescinded as noted above. In some instances, individual amounts in the above columns do not sum to the amount presented as "Total" due to rounding differences.

Of the \$122.9 million of total WIA funds awarded to North Carolina, the State had spent \$69.4 million (56.5 percent), leaving \$53.5 million (43.5 percent) unexpended as of December 31, 2001. At this rate of spending, it would take approximately fourteen months to spend the remaining funds, during which time the State would receive additional WIA allocations.

7. (Continued)

Expenditure Analysis by Program

The following provides a summary of the unexpended funding by program component:

Program Component	Amount Awarded (in millions)	Amount Unexpended (in millions)	Percent of Funding Unexpended
<u>Local Board Activities:</u>			
Adults	\$ 31.7	\$ 10.7	34.1%
Dislocated Worker	\$ 32.4	\$ 12.8	39.5%
Local Admin	\$ 10.3	\$ 4.1	39.8%
Youth	\$ 29.5	\$ 12.2	41.4%
Total Local Board Activities	\$ 103.9	\$ 39.8	38.4%
<u>State Activities:</u>			
State-wide Activities	\$ 18.2	\$ 13.6	74.7%
State-wide Rapid Response	\$ 2.3	\$ 1.5	65.2%
Total State Activities	\$ 20.5	\$ 15.1	73.7%
Less: PY 2001 Rescission	(\$ 1.5)	(\$ 1.5)	N/A
Total Funding	\$ 122.9	\$ 53.4	43.5%

Note: Information in the above table was obtained from quarterly Financial Status Reports prepared by DET and summarized. Additionally, a portion of PY 2001 funding was rescinded as noted above. In some instances, individual amounts in the above columns do not sum to the amount presented as "Total" due to rounding differences.

WIA expenditure data submitted by the State indicates that \$15.1 million (73.7 percent) and \$39.8 million (38.4 percent) at DET and Local Board levels, respectively, were not spent as of December 31, 2001.

8. **Interview the appropriate Local Board personnel regarding how information is accumulated and about the preparation of the Local Board reports to the State. Inquire as to the source of obligation, cost and/or payment information reported to the State by the Local Board, and determine if the information reported agrees with the corresponding source accounting records.**

Through discussions with Local Board personnel, we determined that expenditure information and fund availability by period is reported to the State using MFRs. Information on the MFRs included the original funding available, amounts of expenditures to date, and remaining fund availability per funding stream. Local Boards did not report obligation information to DET on a monthly basis.

We reviewed source accounting records at the three Local Boards we visited to determine if they agreed to information reported to DET. In all instances, the Local Boards provided documentation supporting the information reported on their MFRs.

9. **Determine how the Local Board tracks the various funding periods and if data is reported and accounted for in a manner which will allow expenditures to be matched against the appropriate obligation or subcontract agreement.**

The Local Boards employ FIFO methodology in associating period expenditures with funding sources. This methodology does not ensure matching of a particular period's expenditures with the funding allotted to that period. Expenditures reported by Local Boards were generally not matched with the funding applicable to the period in which they accrued. Rather, current expenditures were charged against prior period funds until exhausted, and then matched against subsequent periods' funding.

For example, after PY 2000 had lapsed, any funding that remained would be used to satisfy a subsequent period's expenditures until all of PY 2000 funding was exhausted. FY 2001 funding would subsequently be used to satisfy expenditures. Matching a period's expenditures against prior period funding in this manner dissociates the funding allotted to a specific period from the actual program cost for that period.

10. Determine how the Local Board defines an obligation and the point at which funds are considered to be obligated. Determine if the Local Board definition includes only anticipated expenditures to meet bona fide needs of the funding program year and for which a legal liability exists.

At the three Local Boards visited, representatives indicated that the “obligation” of funds coincides with the execution of contracts for WIA services. The Local Boards’ definition of obligations includes only anticipated expenditures to meet bona fide program needs.

However, as mentioned at item number 9 of this report, there is no matching of the appropriate funding year and program year cost due to use of FIFO methodology.

EXHIBIT I

SAMPLE FINANCIAL STATUS REPORT

Following this title page is a WIA financial status report used by States to report program activities to DOL

**Workforce Investment Act
Local Adult Program Activities**

**U.S. Department of Labor
Employment and Training Administration**



Financial Status Report		OMB Approval No. 1205-0408	Page of
1. Federal Agency and Organizational Element to Which Report is Submitted	2. Federal Grant or Other Identifying Number Assigned By Federal Agency	Expires: 02/28/04	pages
3. Recipient (Name and complete address, including ZIP code)			
4. Employer Identification Number	5. Recipient Account Number or Identifying Number	6. Final Report <input type="checkbox"/> Yes <input type="checkbox"/> No	7. Basis <input type="checkbox"/> Cash <input type="checkbox"/> Accrual
8. Funding Year	9. Period Covered by the Report From: (Month, Day, Year)		To: (Month, Day, Year)
10. Transactions:		Cumulative	
a. Total Federal outlays			
b. Refunds, rebates, etc.			
c. Net Federal outlays (Line a minus b)			
d. Recipient outlays for allowable program activities			
e. Net Federal outlays			
f. Federal unliquidated obligations			
g. Total Federal obligations (Line e plus f)			
h. Total Federal funds authorized for this funding period			
i. Transfers from dislocated worker program activities			
j. Transfers to dislocated worker program activities			
k. Adjusted total federal funds available			
l. Unobligated balance of Federal funds (line k minus g)			
Program income consisting of:			
m. Disbursed program income using the addition method			
n. Undisbursed program income			
o. Total program income realized (Line m plus n)			
11. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.			
12. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.			
Typed or Printed Name and Title		Telephone (Area code, number and extension)	
Signature of Authorized Certifying Official		Date Report Submitted	

Persons are not required to respond to this collection of information unless it displays a currently valid OMB control number. Respondents obligation to reply to these reporting requirements are Mandatory (WIA; 20 CFR 652 et al). Public reporting burden for this collection of information is estimates to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestion for reducing this burden to the U.S. Department of Labor, Office of Welfare-to-Work, Room N-4718, Washington, D.C. 20210 (Paperwork Reduction Project (1205-0408).

ETA 9076-E (May 2000)

EXHIBIT II

**THE COMPLETE TEXT OF
NORTH CAROLINA'S REPOSENSE TO THE DRAFT
AGREED-UPON PROCEDURES REPORT**

Following this title page is the complete text of North Carolina's response to our agreed-upon procedures report, issued to them on March 5, 2003.



North Carolina
Department of Commerce
Division of Employment and Training

Michael F. Easley, Governor
James T. Fain III, Secretary

Alan Alexander, Director

March 25, 2003

Mr. Robert R. Wallace
Regional Inspector General for Audit
U.S. Department of Labor - OIG
61 Forsyth Street, S.W., Room 6T20
Atlanta, Georgia 30303 -3104

Dear Mr. Wallace:

I received your draft report numbered 04-03-012-03-390 on March 6, 2003. The only comment I wish to make concerns your statement that the State charges expenditures to WIA on a First-In-First-Out (FIFO) basis, rather than matching Program Year (PY) expenditures with the grants applicable to the period in which the expenditure accrued.

North Carolina matches and tracks Program Year (PY) expenditures by Program Year (PY) Allocations. However, the State of North Carolina does utilize the First-In-First-Out (FIFO) method to charge and report expenditures to the split funding sources within each Program Year Allocation, i.e. -PY/ FY funding. We have concluded that it is impracticable to operate the program any other way.

We would also like to take this opportunity to express our appreciation for the professional manner in which the auditors conducted this review.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Alexander", written over a horizontal line.

Alan Alexander

North Carolina. A Better Place To Be

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