

**YADKIN COUNTY  
NORTH CAROLINA**

**COMPLIANCE LETTERS**

**FOR THE YEAR ENDED JUNE 30, 2015**

# YADKIN COUNTY, NORTH CAROLINA

## COMPLIANCE LETTERS FOR THE YEAR ENDED JUNE 30, 2015

### TABLE OF CONTENTS

	<u>Page</u>
Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	1-2
Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; And Report On The Schedule of Expenditures of Federal and State Awards Required By OMB Circular A-133 And The State Single Audit Implementation Act	3-5
Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; And Report on The Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133; And the State Single Audit Implementation Act	6-8
Schedule of Findings, Responses, and Questioned Costs	9-14
Summary Schedule of Prior Year's Findings	15
Schedule of Expenditures of Federal and State Awards	16-20

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

### **Independent Auditor's Report**

To the Board of Commissioners  
Yadkin County  
Yadkinville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Yadkin County, North Carolina, as of and for the year ended June 30, 2015, not presented here, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 23, 2015. The financial statements of the Yadkin County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Yadkin County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yadkin County's internal control. Accordingly, we do not express an opinion on the effectiveness of Yadkin County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2015-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Yadkin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and; accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2015-001.

We noted certain matters that we reported to management of Yadkin County in a separate letter dated November 23, 2015.

## **Yadkin County's Response to Finding**

Yadkin County's response to the finding identified in our audit is described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 23, 2015

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## **Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; And Report On The Schedule of Expenditures Of Federal And State Awards Required By OMB Circular A-133 and the State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Board of Commissioners  
Yadkin County  
Yadkinville, North Carolina

#### **Report On Compliance for Each Major Federal Program**

We have audited Yadkin County, North Carolina's, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Yadkin County's major federal programs for the year ended June 30, 2015. Yadkin County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Yadkin County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Yadkin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Yadkin County's compliance.

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## **Opinion on Each Major Federal Programs**

In our opinion, Yadkin County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## **Other Matters**

The results of our auditing procedures disclosed instances of non-compliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings, Responses, and Questioned costs as items 2015-002 and 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

Yadkin County's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. Yadkin County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## **Report On Internal Control Over Compliance**

Management of Yadkin County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Yadkin County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Yadkin County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2015-003 and 2015-004 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2015-002 to be a significant deficiency.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 and the State Single Audit Implementation Act**

We have audited the financial statements of governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Yadkin County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Yadkin County's basic financial statements. We issued our report thereon dated November 23, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Yadkin County's basic financial statements.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 23, 2015

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; And Report On The Schedule of Expenditures Of Federal And State Awards Required By OMB Circular A-133 and the State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Board of Commissioners  
Yadkin County  
Yadkinville, North Carolina

#### **Report On Compliance for Each Major State Program**

We have audited Yadkin County, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Yadkin County's major State programs for the year ended June 30, 2015. Yadkin County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Yadkin County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Yadkin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of Yadkin County's compliance.

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## **Opinion on Each Major State Programs**

In our opinion, Yadkin County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2015.

## **Other Matters**

The results of our auditing procedures disclosed instances of non-compliance, which are required to be reported in accordance with applicable sections of OMB Circular A-133, as described in the *Audit Manual for Government Auditors in North Carolina* and which are described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2015-002 and 2015-003. Our opinion on each major State program is not modified with respect to these matters.

Yadkin County's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. Yadkin County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## **Report On Internal Control Over Compliance**

Management of Yadkin County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Yadkin County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Yadkin County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003 and 2015-004 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002 to be a significant deficiency.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report On Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Implementation Act**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Yadkin County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Yadkin County's basic financial statements. We issued our report thereon dated November 23, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Yadkin County's basic financial statements.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
November 23, 2015

# YADKIN COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

### 1. Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	Yes
• Significant deficiency identified that is not considered to be material weakness?	None reported
Non-compliance material to financial statements noted?	Yes

#### Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	Yes
• Significant deficiency identified that is not considered to be a material weakness?	Yes
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.778, 93.777, 93.775
State Children's Health Insurance Program - N.C. Health Choice	93.767
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$1,171,084</u>
Auditee qualified as low-risk auditee?	No

**YADKIN COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**1. Summary of Auditor's Results (Continued)**

**State Awards**

Internal control over major State programs:

- Material weakness identified? Yes
- Significant deficiency identified that is not considered to be material weakness? Yes

Type of auditor's report issued on compliance for major State programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? Yes

Identification of major State programs:

**Program Name**

Medicaid Cluster

State Children's Health Insurance Program – N.C. Health Choice

N.C. Parks and Recreation Trust Fund

# YADKIN COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

### 2. Financial Statement Findings

#### 2015-001

**Criteria:** In accordance with the Social Security Administration (SSA) Guide for Organizational Representative Payees, organizational payee does not have authority to lend the beneficiary's Social Security or SSI funds to anyone else, including other beneficiaries they serve (this includes using funds held in a collective account to make up a shortfall when another beneficiary's expenses exceed his/her ownership interest in the account).

**Condition:** There are internal control weaknesses and SSA guideline violations regarding the DSS Custodial Accounts. Expense disbursements are made without knowledge of the actual account balance of the beneficiary.

**Effect:** There was an instance of a foster child, who had been adopted by the foster parents, and the County was still receiving income from the State and disbursing the money to the parents. Over time, this resulted in a shortage of funds in the beneficiary's account.

**Cause:** Proper procedures were not in place regarding beneficiary's income and disbursements.

**Context:** While performing interim and final fieldwork procedures on the DSS Custodial Accounts, we noted those items above.

**Recommendation:** Management should monitor the systems of internal controls over beneficiary funds and ensure that controls are operating as intended. Management oversight of beneficiary accounts would reduce the risk of further noncompliance.

**Name of Contact Person:** Gary Groce, Finance Officer, and Kim Harrell, Human Services Agency Director

**Management Response/Corrective Action:** The County concurs and implemented controls, segregation of duties and enhanced communications as soon as the issue was realized to prevent this from occurring again.

# YADKIN COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

### 3. Federal Award Findings and Questioned Costs

#### 2015-002

**Criteria:** In accordance with the Division of Social Services Fiscal Manual, DSS employees should control physical access to the State network terminals or personal computers that are connected to the State mainframe.

**Condition:** Upon surprise inspection, several unattended work stations of DSS employees were logged onto the State network without anyone attending to the work stations.

**Context:** While performing testing of internal control over compliance related to the Division of Social Services, we noted the above condition.

**Effect:** Unauthorized access to the State system could be obtained due to the unattended logon to the system throughout the DSS building.

**Cause:** Lack of proper internal controls over data security.

**Questioned Costs:** The finding represents an internal control issue; therefore, no questioned costs are applicable.

**Recommendation:** Require the County Data Processing Department to implement procedures to require logout of workstations where access to the State DSS system is granted. The control procedures should include random verification of logout in instances where offices are unattended.

**Contact Person:** Kim Harrell, Human Services Agency Director

#### DSS Programs Affected:

<u>Federal Grantor</u>	<u>Pass-Through Agency</u>	<u>Program Name</u>	<u>CFDA #</u>
U.S. Health and Human Services	N.C. Health and Human Services	Medicaid Cluster	93.775, 93.777, 73.778
U.S. Health and Human Services	N.C. Health and Human Services	State Children's Health Insurance Program – N.C. Health Choice	93.767

**Management Response and Plan of Corrective Action:** Management has advised staff to lock their workstations when they leave the work area and computers have been updated with a control setting so they will go to screen saver after 5 minutes of non-use and require the user to type their password to unlock.

# YADKIN COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

### 3. Federal Award Findings and Questioned Costs (Continued)

#### 2015-003

**Criteria:** The County should have adequate monitoring controls to ensure that all information from the State’s eligibility system, known as North Carolina Families Accessing Services through Technology (NC FAST) reconciles to participant case file records.

**Condition:** Participant case file budget calculations and NC FAST budgets did not reconcile for 3 of the participants selected for eligibility testing.

**Context:** While performing testing of eligibility related to the Medicaid program, we noted the above condition.

**Effect:** Participant case file budget calculations did not match NC FAST budget output.

**Cause:** Comparison of participant budget calculations to NC FAST budget did not occur.

**Questioned Costs:** County budget calculations were correct and client was eligible per County calculations and per NC FAST calculations; therefore, no questioned costs are applicable.

**Recommendation:** Management should monitor the systems of internal controls over participant budget calculations and NC FAST data to ensure that controls are operating as intended. If an error is found due to the NC FAST software the error should be reported to the State via work ticket. Management oversight of the reconciliation process would reduce the risk of further noncompliance.

**Contact Person:** Kim Harrell, Human Services Agency Director

#### DSS Programs Affected:

<u>Federal Grantor</u>	<u>Pass-Through Agency</u>	<u>Program Name</u>	<u>CFDA #</u>
U.S. Health and Human Services	N.C. Health and Human Services	Medicaid Cluster	93.775, 93.777, 73.778

**Management Response and Plan of Corrective Action:** When Eligibility Worker processes a Medicaid case and verifies that the case file budget calculations do not match the NC Fast budget output this case will be flagged for Eligibility Supervisor review. If after review by the supervisor the budget calculations are not identical, a “Help Desk” ticket will be submitted to NC Fast help desk for corrections of these issues on said cases.

**YADKIN COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**3. Federal Award Findings and Questioned Costs (Continued)**

**2015-004**

**Criteria:** The County should have an adequate system of internal control procedures in place that management properly reviews and assess the eligibility of individuals to ensure the accuracy of the benefits being provided.

**Condition:** The Division of Social Services did not have adequate review controls in place to ensure the proper eligibility determinations were being met.

<u>Federal Grantor</u>	<u>Pass-Through Agency</u>	<u>Program Name</u>	<u>CFDA #</u>
U.S. Health and Human Services	N.C. Health and Human Services	Medicaid Cluster	93.775, 93.777, 73.778
U.S. Health and Human Services	N.C. Health and Human Services	State Children’s Health Insurance Program – N.C. Health Choice	93.767

**Context:** While performing testing of internal control over compliance related to the Division of Social Services, we noted the above condition.

**Effect:** Participant files could contain incorrect documentation where funding could be provided to individuals who are truly not eligible or not provided to truly eligible individuals.

**Cause:** Lack of insufficient quality review procedures by management.

**Questioned Costs:** The finding represents an internal control issue; therefore, no questioned costs are applicable.

**Recommendation:** Management should implement proper review procedures over the Division of Social Services eligibility determination to ensure that records contain current, reliable and appropriate documentation in each participant file.

**Contact Person:** Kim Harrell, Human Services Agency Director

**Management Response and Plan of Corrective Action:** Management concurs and will ensure proper review procedures over eligibility determination. Eligibility Supervisor have developed a second party review log where they will list the case name and worker name of each reviewed monthly. Supervisors will review five cases per month per worker.

**4. State Award Findings and Questioned Costs**

2015-002, 2015-003 and 2015-004 as described above

**YADKIN COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

None reported

## YADKIN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<b>Federal Awards</b>			
<b><u>U.S. Department of Agriculture</u></b>			
<b>Passed-Through the N.C. Department of Health and Human Services:</b>			
<b>Division of Social Services:</b>			
Supplemental Nutrition Assistance Program Cluster:			
Supplemental Nutrition Assistance Administration	10.561	\$ 233,131	\$ 107
<b>Division of Public Health:</b>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	210,380	-
Women, Infants, and Children - Direct Benefit Payments	10.557	538,833	-
<b>Division of Soil and Water:</b>			
ASCP - Cost Share	N/A	-	26,117
Total U.S. Department of Agriculture		<u>982,344</u>	<u>26,224</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<b>Division of Aging:</b>			
Passed through Piedmont Triad Council of Governments:			
Aging Cluster			
Access Title III B	93.044	5,488	3,356
In-Home Services:			
Title IIIB	93.044	24,015	1,415
Congregate Nutrition	93.045	56,222	3,310
Home Delivered Nutrition	93.045	64,942	54,370
NSIP Supplement	93.053	28,769	-
Total Aging Cluster		<u>179,436</u>	<u>62,451</u>
SSGB	93.667	-	5,426
Total Division of Aging		<u>179,436</u>	<u>67,877</u>
<b>Passed-Through the N.C. Department of Health and Human Services:</b>			
<b>Division of Social Services:</b>			
Foster and Adoption Cluster (Note 3):			
Administration:			
Title IV - E Foster Care	93.658	221,335	40,697
Title IV - E Adoption Assistance	93.659	184	-
Direct Benefit Payments:			
Title IV - E Adoption Assistance	93.659	307,059	81,061
Title IV - E Foster Care	93.658	354,286	99,623
Total Foster and Adoption Cluster (Note 3)		<u>882,864</u>	<u>221,381</u>
Temporary Assistance for Needy Families Cluster:			
Administration:			
Temporary Assistance for Needy Families	93.558	284,139	-
Direct Benefit Payments:			
Temporary Assistance for Needy Families	93.558	113,714	34,800
Total TANF Cluster		<u>397,853</u>	<u>34,800</u>

## YADKIN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Federal Expenditures	State Expenditures
Child Care Development Fund Cluster (Note 3)			
<b>Division of Social Services:</b>			
Child Care Development Fund - Administration	93.596	70,260	-
<b>Division of Child Development:</b>			
Child Care Development Fund - Discretionary	93.575	181,224	-
Child Care Development Fund - Mandatory	93.596	53,222	-
Child Care Development Fund - Match	93.596	87,593	36,829
Total Child Care Development Fund Cluster		392,299	36,829
Temporary Assistance for Needy Families Cluster	93.558	44,286	-
Foster Care Title IV-E	93.658	3,133	1,622
State Appropriations	N/A	-	3,515
TANF - MOE	N/A	-	103,265
Total Subsidized Child Care Cluster (Note 3)		439,718	145,231
Administration:			
Low Income Energy Assistance/Crisis Intervention	93.568	227,332	-
Child Support Enforcement	93.563	219,242	-
Family Preservation	93.556	21,926	-
Chafee Foster Care Independence Program	93.674	12,670	3,167
Refugee Assistance	93.566	39	-
Stephanie Tubbs Jones Child Welfare Services	93.645	11,484	-
Social Services Block Grant	93.667	120,983	11,394
State Children's Health Insurance Program - N.C. Health Choice	93.767	15,220	(9,365)
Direct Benefit Payments:			
Chafee Foster Care Independence Program	93.674	3,924	-
State Children's Health Insurance Program - N.C. Health Choice	93.767	1,446,589	456,049
Total Division of Social Services		2,079,409	461,245
<b>Centers for Disease Control and Prevention</b>			
<b>Passed-Through the N.C. Department of Health and Human Services</b>			
<b>Division of Public Health</b>			
Hospital Preparedness Program (HPP) and Public Health			
Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	30,993	-
Project Grants and Cooperative Agreements for Tuberculosis			
Control Programs	93.116	20	-
Immunization Grants	93.268	3,187	-
Preventative Health and Health Services Block Grant funded			
solely with Prevention and Public Health Funds (PPHF)	93.758	22,825	-
Cooperative Agreements for State-Based Comprehensive			
Breast and Cervical Cancer Early Detection Programs	93.919	8,213	-
Preventative Health Services_Sexually Transmitted Diseases			
Control Grants	93.977	25	-
Preventive Health and Health Services Block Grant	93.991	(10,399)	-
<b>Administration of Children and Families</b>			
<b>Passed-Through the N.C. Department of Health and Human Services</b>			
<b>Division of Public Health</b>			
TANF Cluster	93.558	2,485	-
<b>Health Resources and Service Administration</b>			
<b>Passed-Through the N.C. Department of Health and Human Services</b>			
<b>Division of Public Health</b>			
Maternal and Child Health Services Block Grant	93.994	44,194	33,149

## YADKIN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<b>Office of Population Affairs</b>			
<b>Passed-Through the N.C. Department of Health and Human Services</b>			
<b>Office of Population Affairs</b>			
Family Planning Services Title X	93.217	27,271	-
Total Division of Public Health		128,814	33,149
<b>Division of Medical Assistance:</b>			
Medicaid Cluster:			
Title XIX - Medicaid Administration	93.778	697,472	3,756
Title XIX - Medicaid Direct Benefit Payments	93.778	33,128,582	17,881,160
Total Medicaid Cluster		33,826,054	17,884,916
Total U.S. Department of Health and Human Services		37,934,148	18,848,599
<b><u>U.S. Department of Justice</u></b>			
<b>Passed-Through the N.C. Department of Public Safety</b>			
Bulletproof Vest Partnership Program	16.607	11,935	-
Total U.S. Department of Housing and Urban Development		11,935	-
<b><u>U.S. Department of Homeland Security</u></b>			
Passed through the N.C. Department of Crime Control and Public Safety:			
Homeland Security Grant Program	97.067	69,501	-
Emergency Management Performance Grant	97.042	38,220	-
Total U.S. Department of Homeland Security		107,721	-
<b>Total Federal Assistance</b>		39,036,148	18,874,823
<b>State Grants</b>			
<b><u>N.C. Department of Health and Human Services</u></b>			
<b>Division of Social Services:</b>			
Administrative:			
Smart Start		-	10,688
State Child Welfare/CPS/CS LD		-	24,863
Energy Assistance Private Grant		-	261
DMA Equipment County		-	5,738
Direct Benefits:			
State Foster Home		-	40,220
SC/SA Domiciliary Care		-	237,888
CWS Adopt Subsidy and Vendor		-	201,228
State Foster Home Funds Maximization		-	87,200
Total Division of Social Services		-	608,086

## YADKIN COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
<b>Division of Public Health:</b>			
Food and Lodging Fees		-	2,958
General Aid to Counties		-	79,086
General Communicable Disease Control		-	11,307
Maternal Health (HMHC)		-	3,479
Women's Health Service Fund		-	4,423
HMHC-Family Planning		-	991
Child Health		-	1,815
Breast and Cervical Cancer Control		-	2,550
Healthy Carolinas Partnership Support		-	3,574
Tuberculosis		-	140
TB Medical Service		-	280
School Nurse Funding Initiative		-	50,000
Total Division of Public Health		-	160,603
<b>Division of Aging:</b>			
Passed-Through the Piedmont Triad Regional Council			
In Home Services		-	79,660
Total N.C. Department of Health and Human Services		-	848,349
<b><u>N.C. Department of Transportation</u></b>			
Rural Operating Assistance Program (ROAP) Cluster:			
ROAP - WorkFirst		-	10,670
ROAP - Rural General Public		-	56,837
ROAP - Elderly and Disabled Transportation		-	53,601
Total Rural Operating Assistance Program (ROAP) Cluster		-	121,108
<b><u>N.C. Department of Crime Control and Public Safety</u></b>			
Juvenile Crime Prevention Programs		-	112,438
Emergency Management Aid Grant		-	1,104
Total N.C. Department of Crime Control and Public Safety		-	113,542
<b><u>N.C. Department of Public Instruction</u></b>			
Public School Building Capital Fund- Lottery proceeds		-	750,000
<b><u>N.C. Department of Environment and Natural Resources</u></b>			
Division of Parks and Recreation			
NC DENR Matching Funds		-	3,600
NC Parks and Recreation Trust Fund	2012-716/5009	-	464,427
Monthly Environmental Health fee - Food and Lodging inspections		-	2,958
Total N.C. Department of Environment and Natural Resources		-	470,985
<b><u>N.C. Department of Agriculture</u></b>			
Spay Neuter Program		-	3,655
<b>Total State Assistance</b>		-	2,307,639
Total Federal and State Assistance		\$ 39,036,148	\$ 21,182,462

**YADKIN COUNTY, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
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**Notes to the Schedule of Expenditures of Federal and State Awards:**

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of Yadkin County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Yadkin County, it is not intended to and does not present the financial position, changes in net position or cash flows of Yadkin County.

**2. Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

**3. Clusters**

The following are clustered by the NC Department of Health and Human Services and are treated separately for State audit requirements:  
Subsidized Child Care and Foster Care and Adoption.

**4. Subrecipients**

Of the federal and State expenditures presented in the schedule, Yadkin County provided federal and State awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Access Title III B	93.044	\$ 5,488	\$ 3,356
Title IIIB	93.044	24,015	1,415
Congregate Nutrition	93.045	56,222	3,310
Home Delivered Nutrition	93.045	64,942	54,370
NSIP Supplement	93.053	28,769	-
SSGB	93.667	-	5,426
In-Home Services	N/A	-	79,660
Public School Building Capital Fund- Lottery proceeds	N/A	-	750,000