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

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

### **Report On Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act**

Board of Commissioners  
Northampton County, North Carolina

#### **Compliance**

We have audited the compliance of Northampton County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. Northampton County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major State programs is the responsibility of Northampton County's management. Our responsibility is to express an opinion on Northampton County, North Carolina's compliance based on our audit.

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 as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of 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 noncompliance 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 Northampton 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. Our audit does not provide a legal determination of Northampton County's compliance with those requirements.

In our opinion, Northampton County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2008.

#### **Internal Control over Compliance**

The management of Northampton County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to State programs. In planning and performing our audit, we considered Northampton County's internal control over compliance with requirements that could have a direct and

material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the County's internal control over compliance.

A control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by Northampton County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We have audited the basic financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Northampton County, North Carolina, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 10, 2008. We did not audit the financial statements of the Northampton County ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Northampton County ABC Board is based solely on the reports of the other auditors. Our audit was performed for the purpose of forming an opinion on financial statements that collectively comprise the basic financial statements of Northampton County, North Carolina. The accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-Profit Organizations*, and the State Single Audit Implementation Act, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners, members of management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specific parties.

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

Martin Starnes & Associates, CPAs, P.A.  
October 10, 2008

# NORTHAMPTON COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2008

### 1. Summary of Auditors' Results

- A. An unqualified opinion was issued on the financial statements of Northampton County, North Carolina.
- B. Our audit of the basic financial statements disclosed material weaknesses in internal controls.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations, and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the County's major programs disclosed no significant deficiencies or material weaknesses in internal controls over major programs.
- E. An unqualified opinion was issued on Northampton County, North Carolina's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on Northampton County, North Carolina's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no audit findings which related to federal and State awards.
- H. Major federal programs for the Northampton County, North Carolina for the fiscal year ended June 30, 2008 are:

<u>Program Name</u>	<u>CFDA#</u>
Food Stamp Cluster:	
Food Stamp Program	10.551
State Administrative Matching Grants for for Food Stamps	10.561
Temporary Assistance for Needy Families	93.558
Medical Assistance Program	93.778
CCDF - Subsidized Child Care Cluster	93.575
Special Supplemental Nutrition Program for Women Infants, and Children (WIC)	10.557
Community Development Block Grant	14.228

**NORTHAMPTON COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2008**

- I. Major State programs for Northampton County, North Carolina for the fiscal year ended June 30, 2008 are:

**Program Name**

Medical Assistance Program

State/County Special Assistance for Adults

- J. The threshold for determining Type A programs for Northampton County, North Carolina is \$1,178,237.
- K. Northampton County, North Carolina did not qualify as a low risk auditee under Section .530 of Circular No. A-133.

**2. Findings Related to the Audit of the Basic Financial Statements**

**Finding 08-1**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by the County's personnel with regards to drafting full accrual, full disclosure financial statements.

**Recommendation:** The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears cost prohibitive. Therefore, the County should exercise due care in reviewing the financial statements drafted by the external auditor as the County is responsible for the accuracy of the audited financial statements.

**Name of Contact Person:** Dot Vick

**Corrective Action:** Management is aware of the weakness but, due to the cost benefit analysis, they will continue to rely on the external auditor to draft the year-end financial statements. The County will exercise due care in reviewing the financial statements drafted by the external auditor. The County acknowledges and accepts responsibility for the accuracy of the audited financial statements.

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**NORTHAMPTON COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2008**

**Finding 08-2**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting.

**Condition:** A significant audit adjustment is a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. The existence of such material adjustments indicates that the County's system of controls did not detect and prevent such errors. We have provided management with a report of these adjustments.

**Recommendation:** Management should examine the adjustments required as a result of our audit and assess the cost/benefit of improving the internal control system to prevent the adjustments in the future, given the available financial and intellectual resources. Management should acknowledge inherent limitations in the internal control system caused by limited resources, and modify their oversight function accordingly.

**Name of Contact Person:** Dot Vick

**Corrective Action/Management Response:** Management is aware that year-end audit adjustments are typically required. Management will examine controls in place to see if they can be strengthened, given available resources, thus reducing the number of audit adjustments required at year-end. In the areas where the cost/benefit does not justify improving the control system, management will exercise due caution in performing their oversight function

**3. Findings and Questioned Costs Related to the Audit of Federal Awards**

None

**4. Findings and Questioned Costs Related to the Audit of State Awards**

None

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**NORTHAMPTON, NORTH CAROLINA**

**SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

**Finding 07-1** – Modified and repeated as Finding 08-1.

NORTHAMPTON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
<b>Federal Awards:</b>			
<u>U.S. Department of Agriculture:</u>			
Water and Waste Disposal Systems for Rural Communities Community Facilities	10.760 10.766	\$ 125,180 500,000	\$ - -
<u>Food and Nutrition Service</u>			
Passed-through N.C. Dept. of Agriculture:			
Food Distribution	10.550	12,465	-
Administrative cost	10.568	2,300	-
Total Food and Nutrition Service		<u>14,765</u>	<u>-</u>
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Administration:			
Food Stamp Cluster:			
Food Stamp Program - noncash	10.551	5,006,198	-
State Administrative Matching Grants for Food Stamp Program	10.561	281,881	-
Total Food Stamp Cluster		<u>5,288,079</u>	<u>-</u>
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children			
AGRI-SFP Food Program Meal	10.557 10.559	115,836 605	- -
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	418,895	-
Total Women, Infants, and Children		<u>535,336</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>6,463,360</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development:</u>			
Economic Development Initiative-Special Project	14.251	99,000	-
Passed-through N.C. Dept. of Commerce:			
Community Development Block Grants	14.228	702,148	-
Total Community Development Block Grant		<u>702,148</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development		<u>801,148</u>	<u>-</u>
<u>Homeland Security</u>			
Passed-through N.C. Dept. of Crime Control and Public Safety:			
Division of Emergency Management:			
Homeland Security	97.042	16,759	700
Total Homeland Security		<u>16,759</u>	<u>700</u>

NORTHAMPTON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
<u>U.S. Department of Health &amp; Human Services:</u>			
<u>Administration on Aging</u>			
Aging Cluster:			
Passed-through Region L Council of Governments:			
Access Title III B	93.044	14,337	843
In-Home Title III B	93.044	52,026	3,060
SSBG	93.667	17,097	488
Title III C Nutrition	93.045	21,563	1,268
Home Delivered Meals	93.045	29,437	1,732
Family Caregiver Title III-E	93.052	9,146	610
Nutrition Services Incentive Program	10.570	9,234	-
Access Services	N/A	-	16,263
In-Home Services	N/A	-	109,686
Congregate Nutrition	N/A	-	4,585
Home-Delivered Meals	N/A	-	24,858
Total Administration on Aging		<u>152,840</u>	<u>163,393</u>
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Temporary Assistance for Needy Families - Direct Benefit Payments	93.558	422,801	(35)
Temporary Assistance for Needy Families - Administration	93.558	551,974	-
Total Temporary Assistance for Needy Families		<u>974,775</u>	<u>(35)</u>
Child Support Enforcement-IVD	93.563	<u>365,112</u>	<u>-</u>
Family Preservation	93.556	<u>2,540</u>	<u>-</u>
Low Income Home Energy Assistance Block Grant:			
Administration	93.568	20,914	-
Direct Benefit Payments	93.568	97,367	-
Crisis Intervention Program	93.568	230,859	-
Total Low Income Home Energy Assistance Block Grant		<u>349,140</u>	<u>-</u>
Child Welfare Services - Permanency Planning	93.645	<u>6,179</u>	<u>1,588</u>
Child Welfare Services:			
Foster Care and Adoption Cluster:			
Title IV-E Foster Care	93.658	87,135	11,675
Foster Care - Direct Benefit Payments	93.658	8,116	1,612
Adoption Assistance - Direct Benefit Payments	93.659	21,129	5,900
Total Foster Care and Adoption Cluster		<u>116,380</u>	<u>19,187</u>

NORTHAMPTON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
Social Services Block Grant	93.667	256,841	67,217
LINKS	93.674	8,426	1,969
AFDC Payments and Penalties	93.560	(561)	(154)
Division of Child Development:			
Subsidized Child Care Cluster:			
CCDF-Administration	93.596	60,000	-
Child Care and Development Fund-Discretionary	93.575	276,335	-
Child Care and Development Fund-Mandatory	93.596	115,888	-
Child Care and Development Fund-Match	93.596	126,955	70,962
Social Services Block Grant	93.667	6,743	-
Temporary Assistance for Needy Families	93.558	105,846	-
Smart Start		-	8,329
State Appropriations		-	45,124
TANF-MOE		-	125,377
Total Subsidized Child Care Cluster		691,767	249,792
Total Administration for Children and Families		2,770,599	339,564
<u>Health Care Financing Administration</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Medical Assistance:			
Administration:			
Medical Assistance Program	93.778	441,761	27,452
NC Health Choice	93.767	12,865	1,499
Direct Benefit Payments:			
Medical Assistance Program	93.778	28,098,725	14,788,142
Total Health Care Financing Administration		28,553,351	14,817,093
<u>Health Resources and Services Administration</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Public Health:			
Family Planning Services	93.217	41,195	-
Immunization Program	93.268	9,014	-
Bioterrorism Grant	93.283	-	-
CDC Prevention and Investigation	93.283	100,346	-
Temporary Assistance for Needy Families	93.558	4,325	-
Breast and Cervical Cancer Early Detection	93.919	14,700	-
Healthy Start	93.926	167,374	-
Preventive Health and Health Services	93.991	26,842	-
Maternal and Child Health Block Grant	93.994	152,703	-
Total Division of Public Health		516,499	-
Total U.S. Department of Health and Human Services		31,993,289	15,320,050
Total Federal awards		39,274,556	15,320,750

NORTHAMPTON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
<b>State Awards:</b>			
<u>N.C. Dept. of Health and Human Services:</u>			
Division of Social Services:			
State/County Special Assistance for Adults - Direct Benefit Payment		-	377,622
State Foster Care Benefits Program		-	26,591
CWS Adoption Subsidy / Vendor Payments		-	34,100
State Aid to Counties		-	26,554
DCD Smart Start		-	4,800
State Adult Protective Service		-	3,585
Energy Assistance Private Grants		-	1,300
AFDC Incentive/Program Integrity		-	129
TANF Incentive/Program Integrity		-	670
Total Division of Social Services		-	475,351
Division of Public Health:			
General		-	46,948
Minority Health		-	15,003
Public Health Nurse Training		-	800
Communicable Disease		-	2,440
Tuberculosis		-	30,475
AIDS		-	11,400
Risk Reduction/Health Promotion		-	9,549
Women's Preventative Health		-	4,018
TB Medical Services		-	1,282
Breast and Cervical Cancer Control		-	12,645
Healthy Carolinas Partnership Support		-	12,048
Total Division of Community Health		-	120,633
Total N.C. Dept. of Health and Human Services		-	595,984
<u>N.C. Dept. of Environment and Natural Resources</u>			
Division of Soil and Water		-	75,917
Total N.C. Dept of Environment and Natural Resources		-	75,917
<u>N.C. Dept. of Transportation</u>			
WBS 34628.1.1		-	2,000
Elderly and Disabled Transportation		-	67,220
Rural General Public Program		-	52,520
Work Fist		-	8,536
Total N.C. Dept. of Transportation		-	130,276
<u>N.C. Dept. of Corrections</u>			
Criminal Justice Partnership Program		-	73,572

NORTHAMPTON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
<u>Office of the Governor</u>			
Office of Juvenile Justice: JCPC		-	97,465
Total Office of the Governor		-	97,465
<u>N.C. Dept. of Administration</u>			
Veterans Service		-	2,000
Total State awards		-	975,214
Total Federal and State awards		\$ 39,274,556	\$ 16,295,964

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of Northampton County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

Program Clusters

The following are clustered by the NC Department of Health and Human Services and are treated separately for State audit requirement purposes:

Subsidized Child Care and Foster Care and Adoption