

**NORTHAMPTON COUNTY  
JACKSON, NORTH CAROLINA**

**COMPLIANCE LETTERS**

**FOR THE YEAR ENDED JUNE 30, 2014**

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

---

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

# NORTHAMPTON COUNTY, NORTH CAROLINA

## COMPLIANCE LETTERS FOR THE YEAR ENDED JUNE 30, 2014

### TABLE OF CONTENTS

	<u>Page</u>
<b>Compliance Section:</b>	
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; 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; 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	9-16
Summary Schedule of Prior Year's Audit Findings	17
Schedule of Expenditures of Federal and State Awards	18-23

# 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 County Commissioners  
Northampton County  
Jackson, North Carolina

We have audited, in accordance with 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 aggregate 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, 2014, not presented here, and the related notes to the financial statements, which collectively comprise Northampton County's basic financial statements, and have issued our report thereon dated March 6, 2015. The financial statements of Northampton County Tourism Development Authority and Northampton County ABC Board 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 Northampton 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 Northampton County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and 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. However, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying Schedule of Findings, Responses, and Questioned Costs as items 2014-001, 2014-002, 2014-003, 2014-004, and 2014-005 to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northampton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 2014-003.

We noted certain matters that we reported to management of Northampton County in a separate letter dated March 6, 2015.

## **Northampton County's Responses to Findings**

Northampton County's responses to the 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 the financial statements and, accordingly, we express no opinion on them.

## **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  
March 6, 2015

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

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

## **Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; 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 County Commissioners  
Northampton County  
Jackson, North Carolina

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

We have audited Northampton County, North Carolina, compliance with the types of compliance requirements described in the OMB *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 Northampton County's major federal programs for the year ended June 30, 2014. Northampton 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 Northampton 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Northampton County's compliance.

## **Opinion On Each Major Federal Program**

In our opinion, Northampton 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, 2014.

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

Management of Northampton 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 Northampton 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 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 the County's internal control over compliance.

*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 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 federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance 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. However, material weaknesses may exist that have not been identified.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Northampton County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Northampton County's basic financial statements. We issued our report thereon dated March 6, 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 Northampton 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 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 taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
March 6, 2015

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

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

## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; 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 County Commissioners  
Northampton County  
Jackson, North Carolina

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

We have audited Northampton County, North Carolina, 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 Northampton County's major State programs for the year ended June 30, 2014. Northampton 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 Northampton 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; and applicable sections of 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, *Audits of States, Local Governments, and Non-Profit Organizations* 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 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 on compliance for each major State program. However, our audit does not provide a legal determination of Northampton County's compliance.

## **Opinion On Each Major State Program**

In our opinion, Northampton 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, 2014.

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

Management of Northampton 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 Northampton 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 the County's internal control over compliance.

*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 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. *A significant deficiency in internal control over compliance* is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance 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. However, material weaknesses may exist that have not been identified.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Northampton County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Northampton County's basic financial statements. We issued our report thereon dated March 6, 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 Northampton 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 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 taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
March 6, 2015

**NORTHAMPTON COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**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?	No
• Significant deficiency identified that is not considered to be material weakness?	None reported
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?	No

Major federal programs for Northampton County, North Carolina, for the fiscal year ended June 30, 2014, are:

<u>Program Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.778, 93.777, 93.775
TANF Cluster	93.558, 93.714
State Children's Insurance Program - NC Health Choice	93.767
Community Facilities Loans & Grants Cluster	10.780, 10.766

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$1,053,358</u>
Auditee qualified as low-risk auditee	No

**NORTHAMPTON COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**1. Summary of Auditor's Results (continued):**

**State Awards**

Internal control over major State programs:

- Material weakness identified? No
- Significant deficiency identified that is not considered to be material weakness? None reported

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? No

Major State programs for Northampton County, North Carolina, for the fiscal year ended June 30, 2014, are:

**Program Name**

Medicaid Cluster

State Children's Insurance Program - NC Health Choice

# NORTHAMPTON COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

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

#### Finding 2014-001

**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 (GAAP) requires a level of technical expertise not possessed by the County's personnel with regard to drafting full accrual, full disclosure GAAP financial statements.

**Context:** During our planning procedures, we noted that County personnel do not possess the technical expertise required to comply with financial reporting requirements discussed above.

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

**Effect:** Material misstatements of the financial statements could result.

**Recommendation:** The cost of acquiring the technical expertise to comply with the financial reporting requirements discussed above appears 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, Finance Director

**Corrective Action/Management Response:** 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.

# NORTHAMPTON COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

### 2. Findings Related to the Audit of the Basic Financial Statements (continued):

#### **Finding 2014-002**

**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.

**Context:** While performing our audit procedures, significant audit adjustments were required to report the County's financial statements in accordance with Generally Accepted Accounting Principles.

**Effect:** Material misstatements of the financial statements could result.

**Cause:** Year-end adjustments include adjustments required for drafting full accrual, full disclosure GAAP financial statements, which requires a level of technical expertise not possessed by the County's personnel with regard to drafting full accrual, full disclosure GAAP financial statements.

**Recommendation:** Management should examine the adjustments required as a result of our audit and assess the cost versus the benefit of improving the internal control system to prevent the adjustments in the future. 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, Finance Director

**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.

# NORTHAMPTON COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

### 2. Findings Related to the Audit of the Basic Financial Statements (continued):

#### **Finding 2014-003**

**Criteria:** General Statutes require that all money received and expended by a local government should be included in the budget ordinance. The Statutes require that funds be appropriated before incurring the obligation for funds and that amounts be pre-audited prior to disbursements being made. These requirements imply that the County has a responsibility to design a system to monitor its compliance with the budget ordinance and the General Statutes pertaining to local government finance.

**Condition:** In the current year, there were violations of the NC General Statute 159-8(a) with regard to expenditures exceeding appropriations and, therefore, a failure in the pre-audit requirement. Several funds were also operating in a deficit. A detailed note on the excess of expenditures over appropriations and deficit fund balances is found in the notes to the financial statements.

**Context:** Lack of budgetary control.

**Cause:** Management is not ensuring compliance with the budget policy.

**Effect:** The County was in violation of the North Carolina General Statutes.

**Recommendation:** Management and the Board should review the budget reports to ensure compliance in future years.

**Name of Contact Person:** Dot Vick, Finance Director

**Management's Response/Corrective Action:** In the future, management will secure revenues and other financing sources sufficient to cover all expenditures and other financing uses prior to incurring obligations of County resources. Management and the Board will more closely review the budget reports to ensure compliance in future years. The County is also evaluating revenue sources to cover expenditures in the funds operating in a deficit.

# NORTHAMPTON COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

### 2. Findings Related to the Audit of the Basic Financial Statements (continued):

#### **Finding 2014-004**

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

**Condition:** Effective financial reporting requires timely account reconciliation and access to information to management and other users of the financial statements.

**Context:** The County had delays in account reconciliations. The County's annual financial statements are not available in a timely manner for internal use and are materially past due to outside reporting agencies.

**Cause:** Availability of adequate personnel in the finance and administration departments caused delays in reconciling account information and preparing for the annual audit and preparation of the financial statements.

**Effect:** The County's management and other users of the financial statements do not have timely information for decision-making and monitoring of the County's financial position and adherence to laws, regulations, and other requirements. Errors in financial reporting could occur and not be detected.

**Recommendation:** The County should evaluate the allocation of internal resources dedicated to financial reporting to ensure adequate resources are available for timely account reconciliations, year-end close and annual financial reporting purposes. Management should consult with outside accountants or auditors if additional assistance is required in order to prepare for the annual audit, determine appropriate accounting for complex transactions, or prepare the financial statements.

**Name of Contact Person:** Dot Vick, Finance Director

**Management's Response/Corrective Action:** The County is aware of the circumstances, which lead to the late completion of the annual audit and issuance of the financial statements. Management will dedicate resources accordingly in order to prepare timely account reconciliations and prepare for the annual audit to issue the financial statements in a timely manner.

## NORTHAMPTON COUNTY, NORTH CAROLINA

### SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

#### 2. Findings Related to the Audit of the Basic Financial Statements (continued):

##### **Finding 2014-005**

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

**Condition:** Internal controls in the tax department were reviewed during audit procedures and found to be inadequate. Internal controls in place were not operating as they were designed.

**Context:** While documenting internal controls relating to the tax department, we noted that personnel have the ability to make certain adjustments without a secondary review and adherence to all internal controls is not followed.

**Cause:** There is a limited number of personnel for certain internal control functions.

**Effect:** Material misstatements of the financial statements and misappropriation of assets could result.

**Recommendation:** Internal controls in the tax department should be closely monitored by Management and the Board. Employees in the tax department should be reminded of the internal controls in place and be required to adhere to them. The Tax Administrator should monitor the manual adjustments in the system in a timely manner. Restrictions on use of manual adjustments should be reviewed by Management and the Board.

**Name of Contact Person:** Dot Vick, Finance Director

**Management's Response/Corrective Action:** Management concurs and will review the internal controls in the tax department. Adequate review and procedures will be put in place and monitored by Management.

**NORTHAMPTON COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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

None reported.

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

None reported.

**NORTHAMPTON COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Finding 2013-001:**

**Status:** Repeated as Finding 2014-001.

**Finding 2013-002:**

**Status:** Repeated as Finding 2014-002.

**Finding 2013-003:**

**Status:** Modified and repeated as Finding 2014-003.

**NORTHAMPTON COUNTY, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<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>			
<b><u>U.S. Department of Agriculture:</u></b>			
Passed-Through NC Dept of Agriculture			
Community Facilities Loans and Grants Cluster (Note 2)	10.780	\$ 3,503,474	\$ -
Community Facilities Loans and Grants Cluster - Farmers Home Grant	10.780	457,450	-
<u>Total NC Dept of Agriculture</u>		<u>3,960,924</u>	<u>-</u>
<u>Food distribution Cluster</u>			
Passed-through N.C. Dept. of Agriculture			
Emergency Food Assistance Program - Administrative Cost	10.568	4,244	-
<u>Total Food Distribution Cluster</u>		<u>4,244</u>	<u>-</u>
Passed-through the N.C. Dept. of Health and Human Services:			
<u>Division of Social Services:</u>			
Administration:			
<u>Supplemental Nutrition Assistance Program Cluster</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	325,052	-
<u>Total Supplemental Nutrition Assistance Program Cluster</u>		<u>325,052</u>	<u>-</u>
Passed-through the N.C. Dept. of Health and Human Services:			
<u>Division of Public Health:</u>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	157,400	-
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	271,998	-
<u>Total Women, Infants, and Children</u>		<u>429,398</u>	<u>-</u>
<u>Child Nutrition Cluster</u>			
Summer Food Service Program for Children	10.559	291	-
<u>Economic Development Cluster</u>			
Investments for Public Works and Economic Development Facilities	11.300	179,202	-
<u>Total U.S. Department of Agriculture</u>		<u>4,899,111</u>	<u>-</u>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
<u>CDBG - State-Administered CDBG Cluster</u>			
Passed-through N.C. Dept. of Commerce:			
Community Development Block Grants	14.228	99,891	-
<u>Total CDBG - State-Administered CDBG Cluster</u>		<u>99,891</u>	<u>-</u>

**NORTHAMPTON COUNTY, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed-through N.C. Dept. of Public Safety:			
<u>Division of Emergency Management:</u>			
Emergency Management Performance	97.042	27,448	-
Total Homeland Security		27,448	-
<b><u>U.S. Department of Health &amp; Human Services:</u></b>			
<u>Administration on Aging</u>			
<u>Aging Cluster:</u>			
Passed-through Upper Coastal Plain Council of Governments:			
Access Title III Part B	93.044	31,813	1,871
Title III Part C Nutrition	93.045	19,329	1,137
Title III Part C Home Delivered Meals	93.045	44,839	2,638
<u>Total Aging Cluster</u>		95,981	5,646
SSBG	93.667	15,031	429
Nutrition Services Incentive Program	10.570	9,006	-
State Caregiver Match	N/A	-	2,770
In-Home Services	N/A	-	152,034
Home-Delivered Meals	N/A	-	22,328
Total Administration on Aging		120,018	183,207
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
<u>Division of Social Services:</u>			
<u>Temporary Assistance for Needy Families Cluster:</u>			
Temporary Assistance for Needy Families - Administration	93.558	440,502	-
Temporary Assistance for Needy Families - Direct Benefit Payments	93.558	203,956	-
<u>Total Temporary Assistance for Needy Families Cluster</u>		644,458	-
<u>Foster Care and Adoption Cluster (Note 4):</u>			
Title IV-E Foster Care	93.658	116,863	20,545
Adoption Assistance - Administration	93.659	3,090	-
Foster Care - Administration	N/A	1,970	-
Foster Care - Direct Benefit Payments	93.658	43,510	10,809
Adoption Assistance - Direct Benefit Payments	93.659	36,293	9,477
<u>Total Foster Care and Adoption Cluster</u>		201,726	40,831
Low Income Home Energy Assistance Block Grant:			
Low Income Home Energy Assistance	93.568	242,561	-
Administration	93.568	27,997	-
Crisis Intervention Program	93.568	137,011	-
Total Low Income Home Energy Assistance Block Grant		407,569	-

## NORTHAMPTON COUNTY, NORTH CAROLINA

### SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
AFDC - Direct Benefit Payments	93.560	(195)	(53)
Child Support Enforcement-IVD	93.563	558,973	-
Promoting Safe and Stable Families	93.556	2,800	-
Child Welfare Services - Permanency Planning	93.645	5,613	-
Social Services Block Grant	93.667	269,374	70,585
LINKS	93.674	405	101
<u>Subsidized Child Care Cluster (Note 4):</u>			
<u>Child Care Development Fund Cluster:</u>			
Division of Social Services			
Child Care Development Fund-Administration	93.596	86,203	-
Division of Child Development			
Child Care and Development Fund -- Discretionary	93.575	240,581	-
Child Care and Development Fund -- Mandatory	93.596	156,039	-
Child Care and Development Fund -- Match	93.596	116,824	40,258
<u>Total Child Care Fund Cluster</u>		<u>599,647</u>	<u>40,258</u>
Temporary Assistance for Needy Families	93.558	132,589	-
Foster Care Title IV-E	93.658	6,190	3,247
State Appropriations	N/A	-	2,568
TANF-MOE	N/A	-	71,465
<u>Total Subsidized Child Care Cluster</u>		<u>738,426</u>	<u>117,538</u>
Total Administration for Children and Families		<u>2,829,149</u>	<u>229,002</u>
<u>Centers for Medicare and Medicaid Services</u>			
<u>Medicaid Cluster</u>			
Direct Benefit Payments:			
Medical Assistance Program	93.778	25,410,345	14,493,352
<u>Division of Social Services</u>			
Administration:			
Medical Assistance Program	93.778	591,815	14,357
<u>Total Medicaid Cluster</u>		<u>26,002,160</u>	<u>14,507,709</u>
State Children's Insurance Program - NC Health Choice - Direct Benefit Payments	93.767	314,606	99,257
State Children's Insurance Program - NC Health Choice - Administration	93.767	17,555	1,103
Total Centers for Medicare and Medicaid Services		<u>26,334,321</u>	<u>14,608,069</u>
<u>Centers for Disease Control and Prevention</u>			
Passed-through N.C. Dept. of Health and Human Services:			
<u>Division of Public Health</u>			
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	3,735	-
Public Health Emergency Preparedness	93.069	31,664	-
Centers For Disease Control And Prevention Investigations And Technical Assistance	93.283	881	-
Immunization Grants	93.268	9,014	-
Statewide Health Promotion Program	93.991	10,783	-

## NORTHAMPTON COUNTY, NORTH CAROLINA

### SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	16,952	9,945
PPHF 2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories solely financed by 2012 Prevention and Public Health Funds Public Health Funds	93.744	643	-
HIV Prevention Activities_Health Department Based	93.940	51,835	-
<u>Administration of Children and Families</u>			
Passed-through NC Dept of Health and Human Services			
<u>Division of Social Services</u>			
Social Service Block Grant	93.667	-	500
Temporary Assistance for Needy Families	93.558	3,560	-
<u>Health Resources and Services Administration</u>			
Passed-through NC Dept of Health and Human Services			
<u>Division of Public Health</u>			
Affordable Care Act ACA Maternal, Infant and Early Childhood Home Visiting Program	93.505	453,409	-
Healthy Start Communities: Baby Love Plus Initiative	93.926	101,817	-
Maternal and Child Health Block Grant	93.994	73,240	56,843
<u>Office of Population Affairs</u>			
Passed-through the NC Dept of Health and Human Services			
<u>Office of Population Affairs</u>			
Family Planning Services	93.217	42,691	-
Total U.S. Department of Health and Human Services		30,083,712	15,087,566
<u>U.S. Department of Transportation</u>			
<u>Highway Safety Cluster</u>			
Passed-through N.C. Department of Transportation:			
Governor's Highway Safety Program PT-06-04-05-40	20.600	1,780	-
Total U.S. Department of Transportation		1,780	-
<b>Total Federal Awards</b>		<u>35,111,942</u>	<u>15,087,566</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		-	414,808
SFHF Maximization - Direct Benefit		-	300
State Foster Home - Direct Benefit		-	4,671
CWS Adoption Subsidy / Vendor Payments - Direct Benefit		-	44,722
DCD Smart Start		-	(496)
AFDC Incentive/Program Integrity		-	685
Total Division of Social Services		-	<u>464,690</u>

## NORTHAMPTON COUNTY, NORTH CAROLINA

### SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
Division of Public Health:			
General Aid-to-County		-	104,240
General Communicable Disease Control		-	2,440
Maternal Health		-	1,225
Mosquito-Public Health Pesticide		-	4,354
Environmental Health		-	4,000
School Nurse Funding Initiative		-	138,052
Tuberculosis		-	30,475
TB Medical Services		-	1,282
Risk Reduction/Health Promotion		-	6,286
Women's Health Service Fund		-	5,186
Passed-through to Upper Coastal Plain Council of Governments			
4-H Grant		-	1,500
Total Division of Public Health		-	299,040
Total N.C. Dept. of Health and Human Services		-	763,730
<b><u>N.C. Dept. of Environment and Natural Resources</u></b>			
Division of Soil and Water Conservation:			
Soil & Water Conservation Grant		-	25,040
Total Division of Soil and Water Conservation		-	25,040
<b><u>N.C. Dept. of Transportation</u></b>			
Elderly and Disabled Transportation	DOT-16CL	-	69,812
Rural General Public Program	DOT-16CL	-	62,058
Work First	DOT-16CL	-	10,653
Rail Industrial Access	DOT-18	-	160,000
Total N.C. Dept. of Transportation		-	302,523
<b><u>NC. Dept. of Commerce</u></b>			
Commerce Finance Center			
Small Business & Entrepreneurial Assistance (SBEA) Grant		-	238,700
Rural Economic Development Internship		-	1,250
Economic Development Grant		-	56,592
Total N.C. Dept of Commerce		-	296,542
<b><u>N.C. Dept. of Cultural Resources</u></b>			
NCARTS Council			
Arts Grant		-	8,568
Total N.C. Dept of Cultural Resources		-	8,568
<b><u>N.C. Dept. of Crime Control and Public Safety</u></b>			
Treatment for Effective Community Supervision (TECS) Program		-	129,607
Emer. Man/Surry Nuclear Power		-	1,400
Project Challenge (Note 3)		-	34,297
JCPC Administration		-	5,000
NC Jobs Program (Note 3)		-	36,642
Children Matter (Note 3)		-	17,905
Total N.C. Dept. of Crime Control and Public Safety		-	224,851

## NORTHAMPTON COUNTY, NORTH CAROLINA

### SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2014

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
<b><u>N.C. Department of Instruction</u></b>			
Public School Building Capital Fund		-	214,700
Total N.C. Department of Instruction		-	214,700
<b><u>N.C. Dept. of Administration</u></b>			
Veterans Service		-	1,452
Total N.C. Dept of Administration		-	1,452
<b>Total State awards</b>		-	1,837,406
<b>Total Federal and State awards</b>		<u>\$ 35,111,942</u>	<u>\$ 16,924,972</u>

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

##### **1. 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.

##### **2. Loans Outstanding**

The amount included in the federal expenditures presented above represents current year draw down only. Northampton County had the following loan balance outstanding at June 30, 2014:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Community Facilities Loans and Grants	10.780	NA	<u>\$ 6,966,000</u>

##### **3. Subrecipients**

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

<u>Subrecipient/Program Name</u>	<u>CFDA</u>	<u>Federal</u>	<u>State</u>
Northampton County Board of Education	N/A	\$ -	\$ 214,700
Project Challenge	N/A	-	34,297
NC Jobs Programs	N/A	-	36,642
Children Matters	N/A	-	17,905
Total		<u>\$ -</u>	<u>\$ 303,544</u>

##### **4. 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