

# **Wake County, North Carolina**

## ***Report on Schedule of Expenditures of Federal and State Awards and Reports on Compliance and Internal Control***

***For the fiscal year ended June 30, 2017***

# Wake County, North Carolina

## Contents

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Independent Auditor's 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 Standard</i> .....	1-2
Independent Auditor's 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 Uniform Guidance and the State Single Audit Implementation Act.....	3-5
Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act.....	6-8
Schedule of Expenditures of Federal and State Awards.....	9-12
Notes to the Schedule of Expenditures of Federal and State Awards.....	13
Schedule of Findings and Questioned Costs.....	14-20
Corrective Action Plan.....	21-25
Summary Schedule of Prior Audit Findings.....	26



**Independent Auditor's 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***

Board of County Commissioners  
Wake County, 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 the *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 unit, each major fund and the aggregate remaining fund information of Wake County, North Carolina (the County) as of and for the year ended June 30, 2017, 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 29, 2017. Our report includes a reference to other auditors who audited the financial statements of the Wake County Board of Alcoholic Control (the Board), as described in our report on the County's financial statements. This report does not include the results of the other matters that are reported separately by those auditors. The financial statements of the 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 the 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Question Costs as 2017-001 and 2017-002 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **The County's Response to Findings**

The County's response to the findings identified in our audit is described in the accompanying *Schedule of Findings 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.

A handwritten signature in cursive script, appearing to read "Elliott Davis".

Raleigh, North Carolina  
November 29, 2017



**Independent Auditor's Report on Compliance With Requirements  
Applicable To Each Major Federal Program And Internal Control Over  
Compliance; In Accordance With OMB Uniform Guidance and the State  
Single Audit Implementation Act**

Board of County Commissioners  
Wake County, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Wake County, North Carolina's (the County's) compliance with the types of compliance requirements described in the OMB *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 the County's major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings 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 the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, 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 federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the County's compliance.

**Basis for Qualified Opinion on Supplemental Nutrition Assistance Program Cluster (SNAP Cluster), CFDA 10.551 and 10.561**

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding *CFDA 10.551 and 10.561 SNAP Cluster* as described in finding number 2017-006 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

## **Qualified Opinion on SNAP Cluster, CFDA 10.551 and 10.561**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on *CFDA 10.551 and 10.561 SNAP Cluster* for the year ended June 30, 2017.

## **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

## **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Uniform Guidance and are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-004, 2017-005, and 2017-007. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the 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 the 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 Uniform Guidance, 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 City'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 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 noncompliance 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-006 to be a material weakness.

*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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-003, 2017-004, 2017-005, and 2017-007 to be significant deficiencies.

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

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance 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 unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated November 29, 2017, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Wake County Board of Alcoholic Control (the "Board"). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the County's financial statements, insofar as it relates to the amounts for the Board, is based solely on the reports of the other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for the purposes of additional analysis as required by Uniform Guidance 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 as a whole.

A handwritten signature in cursive script, appearing to read "Elliott Davis".

Raleigh, North Carolina  
November 29, 2017



**Independent Auditor's Report on Compliance For Each Major State Program  
and on Internal Control over Compliance in Accordance with the Uniform  
Guidance and the State Single Audit Implementation Act**

Board of County Commissioners  
Wake County, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Wake County, North Carolina's (the County'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 the County's major state programs for the year ended June 30, 2017. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings 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 the 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 Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*; and the State Single Audit Implementation Act. Those standards, Uniform Guidance, 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 the 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 the County's compliance.

**Basis for Qualified Opinion on Supplemental Nutrition Assistance Program (SNAP Cluster): CFDA 10.551 and 10.561**

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding *CFDA 10.551 and 10.561 SNAP Cluster* as described in finding number 2017-006 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.



### **Qualified Opinion on SNAP Cluster: CFDA 10.551 and 10.561**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, The County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on *CFDA 10.551 and 10.561 SNAP Cluster* for the year ended June 30, 2017.

### **Unmodified Opinion on Each of the Other Major State Programs**

In our opinion, the 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 other major state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Uniform Guidance and are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-004, 2017-005, and 2017-007. Our opinion on each major state program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings 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.

### **Report on Internal Control Over Compliance**

Management of the 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-006 to be a material weakness.

*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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-003, 2017-004, 2017-005, and 2017-007 to be significant deficiencies.

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance 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 unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated November 29, 2017, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Wake County Board of Alcoholic Control (the "Board"). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the County's financial statements, insofar as it relates to the amounts for the Board, is based solely on the reports of the other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for the purposes of additional analysis as required by Uniform Guidance 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 as a whole.

A handwritten signature in cursive script, appearing to read "Elliott Davis".

Raleigh, North Carolina  
November 29, 2017

**Wake County, North Carolina**  
*Schedule of Expenditures of Federal and State Awards*  
*For the Year Ended June 30, 2017*

Grantor/Pass-Through Grantor/Program Titles	Federal	Pass-through	Expenditures		Total	Passed through to
	CFDA #	Identifying #	Federal	State		Subrecipients
Federal Awards:						
U.S. Department of Health and Human Services						
Administration for Children and Families						
Passed-through the N.C. Department of Health and Human Services, Division of Social Services:						
Promoting Safe and Stable Families	93.556		\$ 434,244	\$ -	\$ 434,244	\$ -
Temporary Assistance for Needy Families (TANF) Cluster	93.558		5,370,783	-	5,370,783	-
Direct Benefit Payments, TANF Cluster	93.558		2,287,245	(10)	2,287,235	-
Child Support Enforcement	93.563		4,278,071	-	4,278,071	-
Refugee and Entrant Assistance-State Administered Programs:	93.576		23,427	-	23,427	
Direct Benefit Payments	93.566		197,984	-	197,984	-
Low-Income Home Energy Assistance	93.568		3,292,293	-	3,292,293	-
Stephanie Tubbs Jones Child Welfare Services - Direct Benefit Payments	93.645		-	2,485,483	2,485,483	-
Stephanie Tubbs Jones Child Welfare Services - State Grants	93.645		268,012	-	268,012	-
Social Services Block Grant	93.667		1,350,809	286,119	1,636,928	-
Chafee Foster Care Independence Program	93.674		122,723	30,681	153,404	-
Independent Living Transitional - Direct Benefits Payments	93.674		55,079	-	55,079	-
Family Support Payments to States - Direct Benefit Payments	93.560		(525)	(144)	(669)	-
Foster Care and Adoption Cluster:						
Foster Care - Title IV-E	93.658		3,793,237	1,316,866	5,110,103	-
Foster Care - Title IV-E Direct Benefit Payments	93.658		1,779,752	560,417	2,340,169	
Adoption Assistance	93.659		151,414	-	151,414	-
IV-E Adoption and Vendor & GUA	93.659		3,539,843	-	3,539,843	
Adoption Assistance-Direct Benefit Payments	93.659		(248,023)	(64,139)	(312,162)	-
Total Foster Care and Adoption Cluster			9,016,223	1,813,144	10,829,366	-
Administration for Children and Families						
Passed-through the N.C. Department of Health and Human Services, Division of Child Development:						
Subsidized Child Care Program						
Child Care Development Fund Cluster:						
Child Care and Development Block Grant	93.575		14,942,553	-	14,942,553	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Administration (Passed through Division of Social Services)	93.596		1,153,499	-	1,153,499	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Mandatory	93.596		4,472,251	-	4,472,251	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Match	93.596		7,457,381	2,898,472	10,355,853	-
Total Child Care Development Fund Cluster			28,025,684	2,898,472	30,924,156	-
Temporary Assistance for Needy Families (TANF) Cluster	93.558		5,717,801	-	5,717,801	-
Foster Care - Title IV-E, TANF Cluster	93.658		417,109	208,160	625,269	-
Total Subsidized Child Care Program			34,160,594	3,106,632	37,267,226	-
Substance Abuse and Mental Health Service Administration:						
Passed-through the N.C. Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services:						
Substance Abuse Services Cluster:						
Block Grant for Prevention and Treatment of Substance Abuse	93.959	540, 541	101,862	-	101,862	-
Centers for Medicare and Medicaid Services						
Passed-through the N.C. Department of Health and Human Services, Division of Medical Assistance:						
Medicaid Cluster:						
Medical Assistance Program (Medicaid)	93.778		14,437,918	66,696	14,504,614	-
Medical Assistance Program (Medicaid)-Direct Benefit Payments	93.778		454,449,178	237,349,175	691,798,353	-
Total Medicaid Cluster			468,887,096	237,415,871	706,302,967	-
Children's Health Insurance Program - N.C. Health Choice	93.767		109,144	266	109,410	-
N.C. Health Choice Direct Benefit Payments	93.767		15,655,770	63,259	15,719,029	-
Centers for Disease Control and Prevention						
Passed-through the N.C. Department of Health and Human Services, Division of Public Health:						
Centers for Disease Control and Prevention Investigations and Technical Assistance						
	93.283	451, 452	169,241	-	169,241	-
HIV Prevention Activities - Health Department Based	93.940	60, 534, 610	182,184	-	182,184	-
Sexually Transmitted Diseases Prevention and Control Grants	93.977	609, 825	181,136	-	181,136	-
Refugee and Entrant Assistance Discretionary Grants	93.576	583	21,831	-	21,831	-
Mental Health Research Grants	93.242		56,883	-	56,883	-
Teenage Pregnancy Prevention Program	93.297		20,000	-	20,000	-
Food & Drug Administration - Research	93.103		5,000	-	5,000	-
Well Integrated Screening and Evaluation for Women Across the Nation	93.094	465	44,832	-	44,832	-
Preventive Health and Health Services Block Grant	93.991	886	27,141	-	27,141	-
Public Health Emergency Preparedness	93.069	514	159,763	-	159,763	-
Injury Prevention & Control Research	93.136		9,147	-	9,147	-

**Wake County, North Carolina**  
*Schedule of Expenditures of Federal and State Awards*  
*For the Year Ended June 30, 2017*

Grantor/Pass-Through Grantor/Program Titles	Federal	Pass-through	Expenditures		Total	Passed through to
	CFDA #	Identifying #	Federal	State		Subrecipients
<b><u>Health Resources and Services Administration</u></b>						
HIV Care Formula Grants	93.917	574, 822, 101, 318	2,479,966	-	2,479,966	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	351, 352	511,121	-	511,121	-
Special Projects of National Significance	93.928		87,071	-	87,071	-
Maternal and Child Health Services Block Grants to States	93.994	834, 151	1,097,247		1,097,247	-
<b><u>Administration for Children and Families</u></b>						
Temporary Assistance for Needy Families (TANF) Cluster	93.558	151	72,098	-	72,098	-
<b><u>Office of Population Affairs</u></b>						
Family Planning Services	93.217		1,372	-	1,372	-
<b><u>Substance Abuse and Mental Health Services Administration</u></b>						
Substance Abuse and Mental Health Services Projects	93.243		228,382	-	228,382	-
<b>Total U.S. Department of Health and Human Services</b>			<b>550,965,248</b>	<b>245,201,301</b>	<b>796,166,549</b>	<b>-</b>
<b>U.S. Department of Agriculture:</b>						
<b>Passed-through the N.C. Department of Health and Human Services, Division of Social Services:</b>						
<b><u>Supplemental Nutrition Assistance Program (SNAP) Cluster:</u></b>						
State Administrative Matching Grants for SNAP	10.561		5,482,392	-	5,482,392	-
Total SNAP Cluster			5,482,392	-	5,482,392	-
<b>Passed-through the N.C. Department of Health and Human Services, Division of Public Health</b>						
Special Supplemental Nutritional Food Program for Women, Infants and Children Administration	10.557	403, 404, 405, 409	3,506,996	-	3,506,996	-
Direct Benefit Payments	10.557	415, 416	12,196,514	-	12,196,514	-
Cooperative Extension NCSU/Together for a Better Education	10.500		44,532	-	44,532	-
Total Special Supplemental Nutrition Food Program for Women, Infants and Children			15,748,042	-	15,748,042	-
<b>Total U.S. Department of Agriculture</b>			<b>21,230,434</b>	<b>-</b>	<b>21,230,434</b>	
<b>U.S. Department of Education:</b>						
<b>Passed-through the NC Department of Public Instruction</b>						
School Safety National Activities	84.184		37,838	-	37,838	-
<b>Total U.S. Department of Education</b>			<b>37,838</b>	<b>-</b>	<b>37,838</b>	<b>-</b>
<b>U.S. Department of Justice:</b>						
State Criminal Alien Assistance Program	16.606		112,260	-	112,260	-
<b>Passed-through the N.C. Department of Public Safety</b>						
Edward Byrne Memorial Justice Assistance Grant Program	16.738		12,755	-	12,755	-
<b>Total U.S. Department of Justice</b>			<b>125,015</b>	<b>-</b>	<b>125,015</b>	<b>-</b>
<b>U.S. Department of Homeland Security:</b>						
<b>Passed-through the N.C. Department of Public Safety</b>						
Disaster Grants - Public Assistance	97.036		29,859	-	29,859	-
Public Assistance Grant-Hurricane Fran	97.036		-	-	-	-
Emergency Management Performance Grant	97.042		17,959	-	17,959	-
Homeland Security Grant Program	97.067		46,375	-	46,375	-
<b>Total U.S. Department of Homeland Security</b>			<b>94,192</b>	<b>-</b>	<b>94,192</b>	<b>-</b>
<b>U.S. Department of Housing and Urban Development:</b>						
Continuum of Care Program	14.267		2,301,074	-	2,301,074	-
Community Developmental Block Grants/Entitlement Grants Cluster	14.218		1,561,887	-	1,561,887	-
Supportive Housing Program	14.235		339,715	-	339,715	-
HOME Investment Partnership Program	14.239		614,881	-	614,881	-
Emergency Solutions Grants Program	14.231		82,000	-	82,000	-
Housing Opportunity for Persons with Aids - HOPWA	14.241		557,555	-	557,555	-
<b>Passed-through the City of Raleigh:</b>						
Emergency Solutions Grants Program	14.231		113,578	-	113,578	-
<b>Total U.S. Department of Housing and Urban Development</b>			<b>5,570,689</b>	<b>-</b>	<b>5,570,689</b>	<b>-</b>
<b>U.S. Department of Interior</b>						
Historic Preservation Fund Grant-In-Aid	15.904		13,000	-	13,000	-
<b>Total U.S. Department of Interior</b>			<b>13,000</b>	<b>-</b>	<b>13,000</b>	<b>-</b>
<b>U.S. Department of Labor</b>						
<b>Passed-through the N.C. Department of Economic and Community Development, Job Training Partnership Act:</b>						
<b><u>WIA/WIOA Cluster:</u></b>						
WIA/WIOA - Adult Program	17.258	4020	3,044,978	-	3,044,978	1,741,901
WIA/WIOA-Youth Activities	17.259	4040	1,562,104	-	1,562,104	1,605,560
WIA/WIOA-Dislocated Workers	17.278	4030	1,315,120	-	1,315,120	1,206,129
					-	
Total WIA/WIOA Cluster			5,922,203	-	5,922,203	4,553,590

**Wake County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

Grantor/Pass-Through Grantor/Program Titles	Federal CFDA #	Pass-through Identifying #	Expenditures		Total	Passed through to Subrecipients
			Federal	State		
WIA National Emergency Grants	17.277		1,053,559	-	1,053,559	870,594
Total WIA National Emergency Grants			1,053,559	-	1,053,559	870,594
<b>Total U.S. Department of Labor</b>			<b>6,975,761</b>	<b>-</b>	<b>6,975,761</b>	<b>5,424,184</b>
<b>Federal Highway Administration</b>						
<b>Passed-through the N.C. Department of Transportation:</b>						
Formula Grants for Rural Areas	20.509		287,941	826,388	1,114,329	-
<u>Highway Planning, Research &amp; Construction Cluster:</u>						
Active Routes to Schools	20.205		80,172	-	80,172	
Total Highway Planning, Research & Construction Cluster			80,172	-	80,172	-
<u>Highway Safety Cluster:</u>						
State and Community Highway Safety	20.600		363,914	-	363,914	-
Alcohol Open Container Requirements	20.607		91,709	-	91,709	-
National Priority Safety Programs	20.616		99,693	-	99,693	-
Total Highway Safety Cluster			555,316	-	555,316	-
<u>Transit Services Programs Cluster:</u>						
New Freedom Program	20.521		288,948	-	288,948	-
Total Transit Services Programs Cluster			288,948	-	288,948	-
<b>Total U.S. Department of Transportation</b>			<b>1,212,377</b>	<b>826,388</b>	<b>2,038,765</b>	<b>-</b>
<b>U.S. Corporation for National and Community Services</b>						
<b>Passed through N.C. Office of Volunteerism and Community Services</b>						
Ameri Corps	94.006		149,424	-	149,424	-
<b>Total U.S. Corporation for National and Community Services</b>			<b>149,424</b>	<b>-</b>	<b>149,424</b>	<b>-</b>
<b>Total Federal Awards</b>			<b>586,373,978</b>	<b>246,027,689</b>	<b>832,401,667</b>	<b>5,424,184</b>
<b>State Awards:</b>						
<b>N.C. Department of Cultural and Natural Resources:</b>						
<b>Division of State Library:</b>						
State Aid to Libraries			-	583,152	583,152	-
<b>N.C. Department of Health and Human Services:</b>						
<b>Division of Public Health:</b>						
General Aid to Counties		110	-	279,677	279,677	-
Communicable Disease - HIV/HBV		715, 510	-	190,818	190,818	-
Tuberculosis Control		551	-	143,747	143,747	-
TB Medical Service		554	-	8,005	8,005	-
HIV Non-Traditional Test Site		536, 894	-	49,061	49,061	-
School Nurse Funding Initiative		803	-	50,213	50,213	-
Safe Space			-	14,526	14,526	-
Maternal Health Care			-	50,000	50,000	-
HMHC Health (HMHC)			-	166,325	166,325	-
Total Division of Public Health			-	952,371	952,371	-
<b>Division of Social Services:</b>						
Energy Assistance Private Grants			-	207,232	207,232	-
Adult Protective Services						
Direct Benefit Payments:						
State/County Special Assistance for Adults			-	3,368,631	3,368,631	-
State Foster Home			-	596,331	596,331	-
IV-E Adopt & Vendor & GUA			-	894,963	894,963	-
State Foster Home Maximization			-	476,941	476,941	-
Total Division of Social Services			-	5,544,098	5,544,098	-
<b>Division of Child Development:</b>						
North Carolina Smart Start			-	474,476	474,476	-
Smart Start			-	125,508	125,508	-
State Appropriations			-	126,254	126,254	-
TANF- Maintenance-of-Effort			-	2,395,528	2,395,528	-
Total Division of Child Development			-	3,121,766	3,121,766	-
<b>Total N.C. Department of Health and Human Services</b>			<b>-</b>	<b>9,618,235</b>	<b>9,618,235</b>	<b>-</b>
<b>N.C. Department of Transportation, Public Transportation Division:</b>						
<u>Rural Operating Assistance Program (ROAP) - Cluster</u>						
Elderly and Disabled Transportation Assistance Program (EDTAP)			-	274,346	274,346	51,529
Rural General Public Program (RGP)			-	97,891	97,891	-
Employment Transportation Grant			-	202,643	202,643	-
Total Rural Operating Assistance Program (ROAP) Cluster			-	574,880	574,880	51,529
Traveler's Aid			-	7,225	7,225	-
<b>Total N.C. Department of Transportation</b>			<b>-</b>	<b>582,105</b>	<b>582,105</b>	<b>51,529</b>

Wake County, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program Titles	Federal CFDA #	Pass-through Identifying #	Expenditures		Total	Passed through to Subrecipients
			Federal	State		
N.C. Department of Environmental Quality						
White Goods Management Program			-	396,218	396,218	-
NC Electronic Recycling			-	75,074	75,074	-
Scrap Tire Disposal Program			-	1,455,435	1,455,435	-
Environment Health Food & Lodging			-	123,846	123,846	-
Total N.C. Department of Environmental Quality			-	2,050,573	2,050,573	-
N.C. Department of Agriculture and Consumer Services						
State Farm Grant			-	196,115	196,115	-
N.C. Department of Commerce						
One NC Fund Grant			-	795,000	795,000	-
N.C. Department of Administration:						
Veterans Services Program			-	2,000	2,000	-
N.C. Department of Public Instruction						
Public School Building Capital Fund - Lottery Proceeds				9,489,683	9,489,683	
N.C. Department of Public Safety						
JCPC		692	-	1,214,996	1,214,996	1,214,996
Eckerd Youth Alternative		792	-	-	-	-
Community Detention Program		692	-	181,604	181,604	-
Total N.C. Department of Public Safety			-	1,396,600	1,396,600	1,214,996
Total State Awards			-	24,713,463	24,713,463	1,266,525
Total Federal and State Awards			\$ 586,373,978	\$ 270,741,152	\$ 857,115,130	\$ 6,690,709

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## **Wake County, North Carolina**

### ***Notes to the Schedule of Expenditures of Federal and State Awards For the year ended June 30, 2017***

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#### **A. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal and state grant activity of the County under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements. Benefit payments are paid directly to recipients and are not included in the County's financial statements. However, due to the County's involvement in determining eligibility, they are considered federal and state awards to the County and are included on this schedule. Also, because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

#### **B. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the State Single Audit Implementation Act, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **C. Cluster of Programs**

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 Adoption

**Wake County, North Carolina**  
***Schedule of Findings and Questioned Costs***  
***For the year ended June 30, 2017***

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**Section I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- |   |               |     |               |               |
|---|---------------|-----|---------------|---------------|
| • Material weakness identified?   | <u>      </u> | yes | <u>  X  </u>  | no            |
| • Significant deficiency(s) identified that are not considered to be material weaknesses? | <u>  X  </u>  | yes | <u>      </u> | none reported |

Noncompliance material to financial statements noted?

       yes   X   no

Federal Awards

Internal control over major federal programs:

- |   |              |     |               |               |
|---|--------------|-----|---------------|---------------|
| • Material weakness identified?   | <u>  X  </u> | yes | <u>      </u> | no            |
| • Significant deficiency(s) identified that are not considered to be material weaknesses? | <u>  X  </u> | yes | <u>      </u> | none reported |

Type of auditor's report issued on compliance for major federal programs:

SNAP Cluster

Qualified

All other major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)

  X   yes        no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Program / Cluster Name</u>
10.561	SNAP Cluster
93.568	Low-Income Energy Assistance
93.659	Adoption Assistance
93.778	Medical Assistance Program (Medicaid)

Dollar threshold used to distinguish between Type A and Type B Programs

\$3,000,000

Auditee qualified as low-risk auditee?

  X   yes        no



## Wake County, North Carolina

### *Schedule of Findings and Questioned Costs For the year ended June 30, 2017*

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#### Section I. Summary of Auditor's Results, continued

##### State Awards

Internal control over major State programs:

- Material weakness identified?   X   yes        no
- Significant deficiency(s) identified that are not considered to be material weaknesses?   X   yes        none reported

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

SNAP Cluster

Qualified

All other major state programs

Unmodified

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

  X   yes        no

Identification of major State programs:

##### Program Name

Human Service Transportation Management Program

Other major state programs for the County are Medical Assistance Program (Medicaid), Food and Nutrition Services (SNAP), Low-Income Energy Assistance (LIHEAP), and Adoption Assistance, which are state matches of federal programs. Therefore, these programs have been included in the list of major federal programs above.

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**Wake County, North Carolina**  
***Schedule of Findings and Questioned Costs***  
***For the year ended June 30, 2017***

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**Section II. Financial Statement Findings**

**Finding 2017-001, Significant Deficiency Over Revenue and Cash Deposits**

**Criteria or specific requirement:** Revenue transactions generated from providing goods or services should be recorded in the general ledger based upon earned revenue for such goods or services.

**Conditions:** Transactions recorded in the County's financial system (*Advantage*) were based upon bank deposit amounts instead of the actual transactions, which occurred within the respective department.

**Context:** The Register of Deeds department was identified as having this condition.

**Effect:** Certain cash transactions were not deposited to the County's bank account and were not identified during the monthly bank reconciliation process. Certain revenue transactions for which cash was not deposited to the County's bank account could not be identified by the monthly reconciliation of the cash balance per *Advantage* to the cash balance per the County's bank account.

**Cause:** Within the Register of Deeds department, internal controls were not in place to ensure that revenue transactions resulting from providing services were recorded in *Advantage* independently of bank deposits related to such services.

**Recommendation:** Revenue should be recorded in *Advantage* based on the detail of transactions derived from the actual services provided for any given period. General ledger cash balances resulting from such transactions should then be compared to balances per bank records so that any differences can be identified and reconciled at least on a monthly basis.

**Finding 2017-002, Significant Deficiency Over Segregation of IT Duties**

**Criteria or specific requirement:** System developers or those with the capacity to alter the code and functionality of a system should be independent from those with the ability to migrate changes to a production environment.

**Conditions:** The code developer for changes in the Billing & Collections system is the same individual who is in charge of moving the code to production environment.

**Context:** This is a system wide condition pertaining to the promotion of system code changes for the Billing and Collections system.

**Effect:** Inadequate segregation of duties can result in unapproved, unrequested, or un-validated changes to be made in the production environment. The lack of segregation of duties exposes the entity to the risk of unauthorized code being deployed to the production environment, which could negatively affect the system integrity and potentially result in compromised data or data loss.

**Cause:** Organizational resource alignment over time has resulted in a limited base of qualified developers and those with the knowledge and experience to promote changes to production.

**Recommendation:** The County should prioritize identifying an individual who can serve as a release manager. This individual should be independent of the code developer.

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**Wake County, North Carolina**  
***Schedule of Findings and Questioned Costs***  
***For the year ended June 30, 2017***

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**Section III. Federal Award Findings and Questioned Costs**

**Finding 2017-003, Significant Deficiency over Eligibility (repeated and updated finding from prior year 2016-001)**

***Information on the federal program:*** Medicaid Cluster (Medicaid), CFDA 93.778, U.S. Department of Health and Human Services, passed through the N.C Department of Health and Human Services, Division of Medical Assistance.

***Criteria or specific requirement:*** Per the North Carolina Medicaid Assistance Program (Medicaid; Title XIX) Compliance Supplement and the DSS manuals (Aged, Blind and Disabled manual, Family and Children Medicaid manual and the Integrated Policy manual), case files for individuals or families receiving assistance are required to retain documentation to evidence appropriate eligibility determination, including:

- verification of real property ownership
- verification of vehicle ownership
- verification of income
- accurate computation of countable resources
- verification of social security number
- social security income status

***Conditions:*** We noted that in two instances the case record did not contain documentation evidencing that tax and Register of Deeds' records were checked to verify whether the individual owns property. In five instances the case record did not contain evidence that the DMV Online Verification System (OVS) was checked to verify whether the individual owns vehicles. In three instances the case record did not contain evidence that the Asset Verification System (AVS) was completed to verify the individual's countable resources. In one instance the case record did not contain evidence that the State Online Query OVS (SOLQ) was completed to verify the individual's Social Security Number (SSN). In three instances, the case record did not contain eligibility reviews for individuals who no longer receive SSI.

***Context:*** We sampled 94 case files from a total population of 52,169 files. We noted the above conditions in 14 of the 94 case files inspected.

***Effect:*** Case files not containing all required documentation result in a risk that the County could provide services to individuals not eligible to receive such services or that such services could be denied to eligible individuals. Subsequent to being notified that required documentation had not been retained in case files, the County was able obtain documentation to substantiate that the applicants tested were eligible to receive benefits.

***Cause:*** The County did not retain required documentation in case files at the time eligibility was determined.

***Recommendation:*** We recommend that the County train and monitor employees on the eligibility determination process. We also recommend the County review and amend current policy and procedures in place to ensure that all eligibility determination documentation is completed and retained by the County.

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## Wake County, North Carolina

### *Schedule of Findings and Questioned Costs*

*For the year ended June 30, 2017*

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#### Section III. Federal Award Findings and Questioned Costs, continued

##### **Finding 2017-004, Significant Deficiency over Eligibility and Non-Material Noncompliance**

**Information on the federal program:** Medicaid Cluster (Medicaid), CFDA 93.778, U.S. Department of Health and Human Services, passed through the N.C Department of Health and Human Services, Division of Medical Assistance.

**Criteria or specific requirement:** Per the North Carolina Medicaid Assistance Program (Medicaid; Title XIX) Compliance Supplement and the DSS manuals (Aged, Blind and Disabled manual, Family and Children Medicaid manual and the Integrated Policy manual), to be eligible to receive benefits under this program the individual must have countable resources below \$2,000.

**Condition:** Two individuals received benefits when their countable resources exceeded \$2,000.

**Questioned cost:** The known questioned cost was \$11,909

**Context:** We sampled 94 case files of 52,169 case files. We noted the conditions above were contained in 2 of the 94 case files inspected.

**Effect:** Individuals with countable resources over \$2,000 were incorrectly deemed eligible to receive Medicaid benefits. The known questioned cost was \$11,909.

**Cause:** Countable resources were incorrectly entered into NCFAS.

**Recommendation:** We recommend that the County train and monitor employees on the eligibility determination process. We also recommend the County review and amend current policy and procedures in place to ensure that all asset verification is completed accurately to determine Medicaid eligibility.

##### **Finding 2017-005, Significant Deficiency over Eligibility and Non-Material Noncompliance**

**Information on the federal program:** Medicaid Cluster (Medicaid), CFDA 93.778, U.S. Department of Health and Human Services, passed through the N.C Department of Health and Human Services, Division of Medical Assistance.

**Criteria or specific requirement:** Per the North Carolina Medicaid Assistance Program (Medicaid; Title XIX) Compliance Supplement and the DSS manuals (Aged, Blind and Disabled manual, Family and Children Medicaid manual and the Integrated Policy manual), after Supplemental Security Income (SSI) is terminated, the individual must be determined eligible for other Medicaid programs.

**Condition:** We noted that in two instances an individual continued to receive benefits after their SSI was terminated and did not meet eligibility requirements for other Medicaid Programs.

**Questioned cost:** The known questioned cost totaled \$4,171.

**Context:** We sampled 94 case files from a total population of 52,169 files. We noted the above conditions in 2 of the 94 case files inspected.

**Effect:** An ineligible individual received Medicaid benefits. The known questioned cost totaled \$4,171.

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**Wake County, North Carolina**  
***Schedule of Findings and Questioned Costs***  
***For the year ended June 30, 2017***

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**Section III. Federal Award Findings and Questioned Costs, continued**

**Finding 2017-005, continued**

***Cause:*** The County did not assess and document the applicants' current status related to SSI benefits.

***Recommendation:*** We recommend that the County train and monitor employees on the eligibility determination process. We also recommend the County review and amend current policy and procedures in place to ensure that all cases in which SSI is terminated receive a redetermination of Medicaid eligibility in a timely manner.

**Finding 2017-006, Material Weakness over Eligibility Material Noncompliance**

***Information on the federal program:*** SNAP Cluster, CFDA 10.551 and 10.561, U.S. Department of Agriculture, passed through the N.C Department of Health and Human Services, Division of Social Services.

***Criteria or specific requirement:*** Per the North Carolina Food and Nutrition Services Cluster Compliance Supplement, the case file should contain a completed, signed and dated Food and Nutrition Services application (DSS-8207 or electronically generated ePASS application). The form must be signed by an adult household member (or an authorized representative) and the DSS caseworker to show eligibility has been reviewed by the County.

***Condition:*** We noted that in thirty instances the Food and Nutrition Services application form DSS-8207 was not signed or dated by the County's DSS caseworker.

***Context:*** We sampled 90 case files of a total of 59,409 cases. We noted the above condition in 30 of the 90 inspected files.

***Effect:*** Ineligible individuals could receive benefits due to insufficient review of applications by a caseworker.

***Cause:*** Proper internal controls are not in place to ensure a DSS caseworker signs and dates the application.

***Recommendation:*** We recommend that the County continue to train and monitor employees on the eligibility application process to ensure applications are appropriately signed and dated by the DSS caseworker.

**Finding 2017-007, Significant Deficiency over Eligibility and Non-Material Noncompliance**

***Information on the federal program:*** Foster Care and Adoption Cluster, CFDA 93.658 and 93.659, U.S. Department of Health and Human Services Administration for Children and Families, passed through the N.C Department of Health and Human Services, Division of Social Services.

***Criteria or specific requirement:*** Per the North Carolina Foster and Adoption Care Cluster Compliance Supplement and Child Welfare Funding Manual, the Adoption Assistance Agreement (DSS-5013) was in effect before the final decree of adoption (court order) unless a fair hearing ruled in favor of an eligible child after the finalization of the adoption. The Adoption Assistance Agreement must be signed by all parties to the agreement (namely, the adoptive parent(s) and State agency representative), and dated prior to court order.

***Condition:*** We noted that in one instance the Adoption Assistance Agreement was not signed and dated by all parties to the agreement (adoptive parent(s) and State Agency Representative) prior to the court order.

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**Wake County, North Carolina**  
***Schedule of Findings and Questioned Costs***  
***For the year ended June 30, 2017***

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**Section III. Federal Award Findings and Questioned Costs, continued**

**Finding 2017-007, Continued**

***Questioned Cost:*** The known questioned cost was \$5,072.

***Context:*** We sampled 90 case files from a total population of 729 files. We noted the above condition in 1 of the 90 inspected files.

***Effect:*** Adoption assistance was paid to an ineligible individual based on the decree of adoption being dated prior to the Adoption Assistance Agreement, and no fair hearing ruling in favor of the child was obtained.

***Cause:*** Proper internal controls are not operating effectively to ensure adoption assistance is not provided if the decree of adoption was completed prior to the Adoption Assistance Agreement.

***Recommendation:*** We recommend that the County train and monitor employees of its current policies and procedures to ensure adoption assistance is only provided to eligible individuals.

**Section IV. State Awards Findings and Questioned Costs**

Findings 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007 as listed in Section III Federal Award Findings and Questioned Costs are also considered to be State findings.



## Finance Department

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November 29, 2017

Wake County, North Carolina respectfully submits the following correction action plan for the year ended June 30, 2017.

Name and address of independent public accounting firm:

Elliott Davis, PLLC  
5410 Trinity Road, Suite 320  
Raleigh, NC 27607

Audit Period: June 30, 2017

The findings from the June 30, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### FINDINGS – FINANCIAL STATEMENT AUDIT

#### **Finding 2017-001: Significant Deficiency Over Revenue and Cash Deposits**

***Recommendation:***

Revenue should be recorded in the financial system based on the detail of transactions derived from the actual services provided for any given period. General ledger cash balances resulting from such transactions should then be compared to balances per bank records so that any differences can be identified and reconciled at least on a monthly basis.

***Action taken:***

The County concurs with the finding. Beginning in August 2017, the Finance department conducted Cash Handling Policy and Procedure training to all County staff that handle cash or supervise positions who handle cash. Instructions were provided to safeguard cash, ensure deposits are handled in a consistent and timely manner and to establish adequate segregation of duties. The County entered into an agreement with our external auditors to review, document and test cash handling procedures

within the County's departments. This work will begin in December 2017 and continue through June 2018.

**Proposed Completion Date:** June 2018

**Name of Contact Person:** Susan McCullen, Finance Director

**Finding 2017-002: Significant Deficiency Over Segregation of IT Duties**

**Recommendation:** The County should prioritize identifying an individual who can serve as a release manager. This individual should be independent of the code developer.

**Corrective Action Plan:** The "Wake County Procedure to Deploy Code to Production" was developed, documented, and implemented in 2016. This procedure provides the process and responsibilities for deploying code changes to production. This procedure is currently under review and update and will incorporate detailed segregation of duties for all roles. Wake County is currently recruiting a skilled Release Manager for the Billing and Collections application. This role will be responsible for enforcing segregation of duties across all software development lifecycle tasks. The existing project management tools will be updated to provide enhanced status reporting for all software development phases, including development, testing, and deploying to production. Further enhancements are planned to better distinguish between production support activities and development tasks. A comprehensive training plan will be developed to cover developer, manager, and end user responsibilities.

**Proposed Completion Date:** June 30, 2018

**Name of Contact Person:** Lisa Jones, Chief Information Security Officer  
Valerie Bonner, Land Records Supervisor  
Jackie Brady, Assistant Director, Application Alignment

**FINDINGS – FEDERAL AWARD PROGRAMS AUDITS**

**Finding 2017-003: Significant Deficiency Over Eligibility and Non-Material Noncompliance (repeated and updated finding from prior year 2016-001) - Medicaid Cluster (Medicaid) – CFDA 93.778**

**Recommendation:** We recommend that the County train and monitor employees on the eligibility determination process. We also recommend the County review and amend current policy and procedures in place to ensure that all eligibility determination documentation is completed and retained by the County.

**Corrective Action Plan:** Wake County Human Services concurs. Medicaid case managers will be instructed to document system verifications when processing Medical



Aid for the Aged, Blind & Disabled (MAABD) applications and re-certifications. Supervisors will conduct random reviews on processed cases on a monthly basis to ensure that the required items have been documented. Refresher training will be provided to MAABD case managers regarding needed system verifications, as needed. Wake County required a repeat of the training curriculum for the worker who had cases cited in both the 2016 (2016-001) and 2017 audit samples.

***Proposed Completion Date:*** 2/28/2018

***Name of Contact Person:*** Antonia Pedroza, ESS Director  
Koren Harrison, ESS Program Manager

**Finding 2017-004: Significant Deficiency Over Eligibility and Non-Material Noncompliance – Medicaid Cluster (Medicaid) – CFDA 93.778**

***Recommendation:*** We recommend that the County train and monitor employees on the eligibility determination process. We also recommend the County review and amend current policy and procedures in place to ensure that all asset verification is completed and retained by the County.

***Corrective Action Plan:*** Wake County Human Services concurs. Long Term Care Medicaid workers will receive retraining on Community Spouse Resource Protection. MAABD staff members will receive refresher training on resource verification and calculation, to include required verification procedures, countable vs. non-countable assets, and rebuttal procedures. Supervisors will conduct random reviews on processed cases on a monthly basis to ensure that the required items have been documented.

***Proposed Completion Date:*** 2/28/2018

***Name of Contact Person:*** Antonia Pedroza, ESS Director  
Koren Harrison, ESS Program Manager

**Finding 2017-005: Significant Deficiency Over Eligibility and Non-Material Noncompliance – Medicaid Cluster (Medicaid) – CFDA 93.778**

***Recommendation:*** We recommend that the County train and monitor employees on the eligibility determination process. We also recommend the County review and amend current policy and procedures in place to ensure that all cases in which SSI is terminated receive a redetermination of Medicaid eligibility in a timely manner.

**Corrective Action Plan:**

Wake County Human Services concurs. To be able to ensure that cases in which SSI is terminated receive a redetermination of Medicaid eligibility in a timely manner, we need an accurate and complete list of cases where SSI has terminated and review needs to be completed. To ensure that benefits are not issued for cases that have closed, the NCFast system issue that is causing this needs to be resolved. We will engage the State to develop better reporting tools that can help rectify this problem.

Wake County will undertake the following actions as part of our corrective action for this finding:

- Create an SSI team to manage SSI Medicaid cases. The SSI team will complete SSI term reviews as well as troubleshoot problems with SSI Medicaid cases in NCFast.
- Continue our monthly merge of available state reports to identify and process SSI term review cases.
- Maintain an internal spreadsheet of known SSI term reviews, with date due, to ensure that these are completed timely
- Report problems or NCFast system glitches to our NCFast liaison
- Continue advocacy with NCDHHS to provide needed management reports.

**Proposed Completion Date:** 2/28/2018

**Name of Contact Person:** Antonia Pedroza, ESS Director  
Koren Harrison, ESS Program Manager

**Finding 2017-006: Material Weakness over Eligibility Material Noncompliance – Food and Nutrition Services Cluster – CFDA 10.551 and 10.561**

**Recommendation:**

We recommend that the County continue to train and monitor employees on the eligibility application process to ensure applications are appropriately signed and dated by the DSS caseworker.

**Corrective Action Plan:**

Wake County Human Services concurs. However, NC Department of Human Services (DHHS) has provided guidance that the language in the compliance supplement predates NC FAST and the language needs to be updated. DHHS is in the process of revising the compliance supplement and providing policy related to the signatures. Effective July 1, 2017 the State no longer requires that applications be signed and dated by the DSS caseworker as NC FAST tracks the actions of the case based on the NCID of the user and this is considered the signature of the case worker.

**Proposed Completion Date:** 11/21/2017

**Name of Contact Person:** Antonia Pedroza, ESS Director  
Elizabeth Scott, ESS Assistant Director

**Finding 2017-007: Significant Deficiency Over Eligibility and Non-Material Noncompliance – Foster Care and Adoption Cluster – CFDA 93.658 and 93.659**

**Recommendation:** We recommend that the County train and monitor employees of its current policies and procedures to ensure adoption assistance is only provided to eligible individuals.

**Corrective Action Plan:** Wake County Human Services concurs. Supervisor will provide bi-annual training related to Adoption Assistance policy for Adoption Assistance Staff including completion of Adoption Assistance Forms. Supervisor will also conduct periodic quality assurance reviews on Adoption Assistance files.

**Proposed Completion Date:** 1/20/2018

**Name of Contact Person:** Josephine Rutledge, Asst. Director - Child Welfare  
Carolyn Royster, HS Child Welfare Supervisor

Sincerely yours,

*Susan McCullen*

Susan McCullen  
Finance Director

**Wake County, North Carolina**  
***Summary Schedule of Prior Audit Findings***  
***For the year ended June 30, 2017***

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**2016-001**

Condition: We noted that in two instances the case record did not contain documentation evidencing that tax and Register of Deeds' records were checked to verify whether the individual owns property. In one instance the case record did not contain a completed budget sheet. In one instances the case record did not contain documents to evidence verification of income. In one instance the case record did not contain two sources of state residency verification.

Current status: This finding has been repeated as current-year finding number 2017-003. Corrective actions were implemented, but this was identified as a repeat finding due to the volume of cases handled by the County.

**2016-002**

Condition: We noted that in one instance an individual continued to receive benefits after their eighteenth birthday.

Current status: Management considers this finding to have been cleared during the year ended June 30, 2017.

**2016-003**

Condition: We noted that in one instance a family's monthly benefit check was larger than the calculated standard payment amount they should have received.

Current status: Management considers this finding to have been cleared during the year ended June 30, 2017.