

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, 2014

Wake County, North Carolina

Contents

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 Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 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 Circular A-133 and the State Single Audit Implementation Act	6-7
Schedule of Expenditures of Federal and State Awards	8-12
Notes to the Schedule of Expenditures of Federal and State Awards	13
Schedule of Findings and Questioned Costs	14-20
Summary Schedule of Prior Audit Findings	21-22



**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, 2014, 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 25, 2014. 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. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 that we consider to be a significant deficiency.

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 finding 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.

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Raleigh, North Carolina
November 25, 2014



**Independent Auditor's Report on Compliance for Each Major
Federal Program and Internal Control Over Compliance in Accordance with
OMB Circular A-133 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 Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2014. 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; 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 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.

Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002, 2014-003 and 2014-004. Our opinion on each major federal 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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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, 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 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. 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002, 2014-003 and 2014-004, that we consider to be significant deficiencies.

The County's responses 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 responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133

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, 2014, 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 25, 2014, 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 U.S. 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 as a whole.

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Raleigh, North Carolina
November 25, 2014



**Independent Auditor's Report on Compliance For Each Major State Program
and on Internal Control over Compliance in Accordance with OMB Circular
A-133 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, 2014. 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; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether 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.

Opinion on Each Major State Program

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 major state programs for the year ended June 30, 2014.

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 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, 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not 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.

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Raleigh, North Carolina
November 25, 2014

Wake County, North Carolina**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014**

Grantor/Pass-Through Grantor/Program Titles	Federal CFDA #	Expenditures		
		Federal	State	Total
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	\$ 172,032	\$ -	\$ 172,032
Temporary Assistance for Needy Families (TANF)	93.558	5,779,539	-	5,779,539
TANF - Direct Benefit Payments	93.558	3,143,766	(306)	3,143,460
Child Support Enforcement	93.563	3,762,483	-	3,762,483
Refugee and Entrant Assistance-State Administered Programs:				
Direct Benefit Payments	93.566	142,676	-	142,676
Low-Income Home Energy Assistance:				
Crisis Intervention Program	93.568	1,296,881	-	1,296,881
Administration	93.568	1,241,283	-	1,241,283
Child Welfare Services - Direct Benefit Payments	93.645	1,590,655	1,478,789	3,069,444
Child Welfare Services - State Grants	93.645	-	476,745	476,745
Social Services Block Grant	93.667	1,162,194	273,573	1,435,767
Links	93.674	98,408	24,602	123,010
Independent Living Transitional - Direct Benefits Payments	93.674	64,657	-	64,657
Family Support Payments to States - Direct Benefit Payments	93.560	(2,101)	(576)	(2,677)
Foster Care Cluster:				
Foster Care - Title IV-E	93.658	3,173,335	496,418	3,669,753
Foster Care - Title IV-E Direct Benefit Payments	93.658	1,073,990	321,164	1,395,154
Adoption Assistance	93.659	174,367	-	174,367
Adoption Assistance-Direct Benefit Payments	93.659	2,781,524	726,951	3,508,475
Total Foster Care Cluster		7,203,216	1,544,533	8,747,749
Administration for Children and Families				
Passed-through the N.C. Department of Health and Human Services, Division of Child Development:				
Subsidized Child Care Cluster:				
Child Care and Development Block Grant - Discretionary	93.575	9,101,647	-	9,101,647
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Administration (Passed through Division of Social Services)	93.596	1,128,940	-	1,128,940
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Mandatory	93.596	2,785,056	-	2,785,056
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Match	93.596	10,145,082	4,650,304	14,795,386
Temporary Assistance for Needy Families (TANF)	93.558	3,235,137	-	3,235,137
Foster Care - Title IV-E	93.658	(358,150)	(184,567)	(542,717)
Smart Start	NA	-	183,195	183,195
State Appropriations	NA	-	976,919	976,919
TANF- Maintenance-of-Effort	NA	-	5,923,518	5,923,518
Total Subsidized Child Care Cluster		26,037,712	11,549,369	37,587,081

Wake County, North Carolina**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014**

Grantor/Pass-Through Grantor/Program Titles	Federal CFDA #	Expenditures		Total
		Federal	State	
<u>Substance Abuse and Mental Health Service Administration:</u>				
Passed-through the N.C. Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services:				
<u>Substance Abuse Services Cluster:</u>				
Block Grant for Prevention and Treatment of Substance Abuse	93.959	71,793	-	71,793
<u>Centers for Medicare and Medicaid Services</u>				
Passed-through the N.C. Department of Health and Human Services, Division of Medical Assistance:				
<u>Medicaid Cluster:</u>				
Medical Assistance Program (Medicaid)	93.778	7,223,009	106,014	7,329,023
Medical Assistance Program (Medicaid)-Direct Benefit Payments	93.778	378,789,336	205,657,886	584,447,222
Total Medicaid Cluster		386,012,345	205,763,900	591,776,245
Children's Health Insurance Program - N.C. Health Choice	93.767	306,197	16,224	322,421
N.C. Health Choice Direct Benefit Payments	93.767	13,270,130	4,185,222	17,455,352
<u>Centers for Disease Control and Prevention</u>				
Passed-through the N.C. Department of Health and Human Services, Division of Public Health:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	53,255	-	53,255
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	86,250	-	86,250
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	52,207	18,545	70,752
Breast & Cervical Cancer Screening Opportunities for States, Tribes, and Territories	93.744	1,993	-	1,993
HIV Prevention Activities - Health Department Based	93.940	211,494	-	211,494
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977	30,290	-	30,290
SSBG	93.667		25,000	25,000
Refugee Health	93.576	11,367	-	11,367
Well Integrated Screening and Evaluation for Women Across the Nation	93.094	15,490	-	15,490
Statewide Health Promotion Program	93.991	10,369	-	10,369
Public Health Emergency Preparedness	93.069	85,133	-	85,133
Immunization Program/Aid to County Funding	93.268	144,522	-	144,522
<u>Health Resources and Services Administration</u>				
HIV Care Formula Grants	93.917	1,732,072	-	1,732,072
Outpatient Early Intervention Services with Respect to HIV Disease	93.918	498,164	-	498,164
Maternal and Child Health Services Block Grants to States	93.994	582,263	452,651	1,034,914
<u>Administration for Children and Families</u>				
Temporary Assistance for Needy Families (TANF)	93.558	93,562	-	93,562
<u>Office of Population Affairs</u>				
Family Planning Services	93.217	16,468	-	16,468
<u>Substance Abuse and Mental Health Services Administration</u>				
Substance Abuse and Mental Health Services Projects	93.243	234,525	-	234,525
Total U.S. Department of Health and Human Services		455,213,290	225,808,271	681,021,561

Wake County, North Carolina**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014**

<u>Grantor/Pass-Through Grantor/Program Titles</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Federal</u>	<u>State</u>	
U.S. Department of Agriculture:				
Passed-through the N.C. Department of Health and Human Services, Division of Social Services:				
<u>Food Stamp Cluster:</u>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	4,060,920	-	4,060,920
Passed-through the N.C. Department of Health and Human Services, Division of Public Health				
Special Supplemental Nutritional Food Program for Women, Infants and Children				
Administration	10.557	3,578,540	-	3,578,540
Direct Benefit Payments	10.557	13,369,056	-	13,369,056
Total Special Supplemental Nutrition Food Program for Women, Infants and Children		16,947,596	-	16,947,596
AGRI-SFSP Food Program Meal	10.559	583	-	583
Total U.S. Department of Agriculture		21,009,099	-	21,009,099
U.S. Department of Education:				
Passed-through the NC Department of Public Instruction				
Safe and Drug-Free Schools and Communities National Programs	84.184	75,676	-	75,676
Total U.S. Department of Education		75,676	-	75,676
U.S. Department of Justice:				
State Criminal Alien Assistance Program	16.606	176,115	-	176,115
Passed-through the N.C. Department of Public Safety				
Drug Court Discretionary Grant	16.585	63,455	-	63,455
Coverdell Grant	16.742	30,401	-	30,401
Edward Byrne Memorial Formula Grant Program	16.738	174,528	-	174,528
Total U.S. Department of Justice		444,499	-	444,499
U.S. Department of Homeland Security:				
Office of Domestic Preparedness				
Passed-through the N.C. Department of Public Safety				
Homeland Security Grant Program	97.067	40,151	-	40,151
FEMA	97.036	149,091	-	149,091
Total U.S. Department of Homeland Security		189,242	-	189,242
U.S. Department of Housing and Urban Development:				
Shelter Plus Care	14.238	1,565,727	-	1,565,727
Community Developmental Block Grants/Entitlement Grants	14.218	1,352,227	-	1,352,227
Supportive Housing Program	14.235	401,316	-	401,316
HOME Investment Partnership Program	14.239	479,852	-	479,852
Housing Opportunity for Persons with Aids - HOPWA	14.241	946,625	-	946,625
Passed-through the City of Raleigh:				
Emergency Shelter Grants Program	14.231	137,464	-	137,464
Total U.S. Department of Housing and Urban Development		4,883,211	-	4,883,211

Wake County, North Carolina**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014**

Grantor/Pass-Through Grantor/Program Titles	Federal CFDA #	Expenditures		Total
		Federal	State	
U.S. Department of Labor				
Passed-through the N.C. Department of Economic and Community Development, Job Training Partnership Act:				
<u>Workforce Investment Act Cluster:</u>				
Workforce Investment Act-Adult Program	17.258	1,717,941	-	1,717,941
Workforce Investment Act-Youth Activities	17.259	1,989,014	-	1,989,014
Workforce Investment Act-Dislocated Workers	17.278	1,724,429	-	1,724,429
Total WIA Cluster		5,431,384	-	5,431,384
Incentive Grants - WIA Section 503	17.267	721,031	-	721,031
Total WIA Incentives and Administrative		721,031	-	721,031
Total U.S. Department of Labor		6,152,415	-	6,152,415
Federal Highway Administration				
Passed-through the N.C. Department of Transportation:				
VTCLI Veterans Transportation Community Living Initiative	20.500	601,659	-	601,659
Governor's Highway Safety Program	20.604	346,739	-	346,739
Total U.S. Department of Transportation		948,398	-	948,398
U.S. Environmental Protection Agency:				
Watershed Management Program	66.202	614,033	-	614,033
Total U.S. Environmental Protection Agency		614,033	-	614,033
U.S. Corporation for National and Community Services				
Passed through N.C. Office of Volunteerism and Community Services				
Ameri Corps	94.006	128,511	-	128,511
Total U.S. Corporation for National and Community Services		128,511	-	128,511
Total Federal Awards		489,658,374	225,808,271	715,466,645
State Awards:				
N.C. Department of Cultural Resources:				
Division of State Library:				
State Aid to Libraries		-	533,622	533,622
N.C. Department of Health and Human Services:				
Division of Public Health:				
General Aid to Counties		-	267,132	267,132
Communicable Disease - HIV/HBV		-	51,441	51,441
Active Routes to School		-	43,644	43,644
Tuberculosis Control		-	94,866	94,866
TB Medical Service		-	8,005	8,005
HIV Preventative Training		-	55,955	55,955
HIV Non-Traditional Test Site		-	35,473	35,473
School Nurse Funding Initiative		-	50,000	50,000
Women's Health Service Fund		-	33,582	33,582
Risk Reduction/Health Promotion		-	167,590	167,590
Maternal Health Care		-	18,131	18,131
Environmental Health		-	4,000	4,000
Total Division of Health		-	829,819	829,819

Wake County, North Carolina**Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2014**

<u>Grantor/Pass-Through Grantor/Program Titles</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Federal</u>	<u>State</u>	
Division of Social Services:				
Energy Assistance Private Grants		-	424,610	424,610
Adult Protective Services				
Direct Benefit Payments:				
State/County Special Assistance for Adults		-	3,547,763	3,547,763
State Foster Home		-	570,343	570,343
State Foster Home Maximization		-	383,124	383,124
Total Division of Social Services		-	4,925,840	4,925,840
Division of Child Development:				
North Carolina Smart Start		-	444,549	444,549
Division of Resource Management				
NC FAST		-	123,706	123,706
Total N.C. Department of Health and Human Services		-	6,857,536	6,857,536
N.C. Department of Transportation, Public Transportation Division:				
<u>Rural Operating Assistance Program (ROAP) - Cluster</u>				
Elderly and Disabled Transportation Assistance Program (EDTAP)		-	286,693	286,693
Rural General Public Program (RGP)		-	332,129	332,129
Employment Transportation Grant		-	189,211	189,211
Total Rural Operating Assistance Program (ROAP) Cluster			808,033	808,033
Community Transportation Program		-	1,168,530	1,168,530
Traveler's Aid		-	7,500	7,500
Total N.C. Department of Transportation		-	1,984,063	1,984,063
N.C. Department of Environment				
Environment Health Food & Lodging		-	126,237	126,237
Total N.C. Department of Environment		-	126,237	126,237
N.C. Department of Agriculture				
State Farm Grant		-	25,500	25,500
N.C. Department of Administration:				
Veterans Services Program		-	1,452	1,452
N.C. Department of Public Safety				
JCPC		-	1,177,069	1,177,069
Community Detention Program		-	145,000	145,000
Total N.C. Department of Public Safety		-	1,322,069	1,322,069
Total State Awards		-	10,316,857	10,316,857
Total Federal and State Awards		\$ 489,658,374	\$ 236,125,128	\$ 725,783,502

Wake County, North Carolina

Notes to the Schedule of Federal and State Awards For the year ended June 30, 2014

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, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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.

C. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the County provided federal and state awards to sub-recipients as follows:

Program	CFDA No.	Amounts to Subrecipients	
		Federal	State
WIA Cluster			
Passed-through the NC Department of Commerce, Workforce Investment Act			
Workforce Investment Act - Adult	17.258	\$ 1,523,249	\$ -
Workforce Investment Act - Youth	17.259	1,872,842	-
Workforce Investment Act - Dislocated Worker	17.278	1,493,587	-
NC Department of Transportation, Public Transportation Division			
Elderly and Disabled Transportation Assistance Program (EDTAP)		-	113,545
Passed-through the NC Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	189,044	-
NC Department of Public Safety			
Juvenile Crime Prevention Council Programs		-	1,171,637
TOTAL AWARDS TO SUBRECIPIENTS		<u>\$ 5,078,722</u>	<u>\$ 1,285,182</u>

Wake County, North Carolina
Schedule of Findings and Questioned Costs
For the year ended June 30, 2014

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness identified? ☐ yes ☒ no
- Significant deficiency(s) identified that are not considered to be material weaknesses? ☒ yes ☐ 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

☒ yes ☐ no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Program / Cluster Name</u>
10.557	Special Supplemental Nutritional Food Program for Women, Infants and Children
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families (TANF)
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
93.767	Children's Health Insurance Program - N.C. Health Choice
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?

☐ yes ☒ no

Wake County, North Carolina
Schedule of Findings and Questioned Costs
For the year ended June 30, 2014

Section I. Summary of Auditor's Results, continued

State Awards

Internal control over major State programs:

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

Type of auditor's report issued on compliance for major state programs: ☐ Unmodified

Any audit findings disclosed that are required to be
To be reported in accordance with State Single
Audit Implementation Act ☐ yes ☒ no

Identification of major State programs:

Program Name

State/County Special Assistance to Adults
State Foster Home
North Carolina Smart Start
Community Transportation Program

Other major state programs for the County are Foster Care – Title IV-E, Adoption Assistance, Medical Assistance Program (Medicaid) and the Children's Health Insurance Program – N.C. Health Choice, which are state matches of federal programs. Therefore, these programs have been included in the list of major federal programs above.

Wake County, North Carolina

Schedule of Findings and Questioned Costs

For the year ended June 30, 2014

Section II. Financial Statement Findings

Finding 2014-001, IT User Access and Monitoring

The results of this audit disclosed internal control deficiencies that are considered reportable under *Government Auditing Standards*. The deficiencies noted result from a failure to implement adequate access controls. Details about the failure to implement adequate access controls, due to their sensitive nature, were communicated to Wake County management in a separate letter pursuant to North Carolina G.S. 132-06.1(c).

Views of responsible officials: Wake County concurs with this finding.

Section III. Federal Award Findings

Finding 2014-002, Significant Deficiency over Eligibility and Non-Material Noncompliance

Information on the federal program: Children's Health Insurance Program (CHIP), CFDA 93.767, U.S. Department of Health and Human Services, passed through the N.C Department of Health and Human Services, Office of Rural Health and Community Care.

Criteria or specific requirement: Case files for individuals receiving assistance are required to retain documentation to evidence appropriate eligibility determination, including calculation of monthly income.

Condition: We noted that in one instance the monthly income figure used to determine eligibility was not properly supported; neither we nor County personnel were able to recalculate the monthly income figure in the file.

Context: We sampled 25 case files and noted the condition above in 1 of the 25 inspected files.

Effect: When recalculated using the information retained in the case file, the applicant's monthly income figure was deemed lower than the amount originally determined. Under the amount originally determined, the applicant was deemed eligible but was required to pay an enrollment fee and make various copayments; using the recalculated amount the applicant would not have had to pay the enrollment fee and make copayments.

Cause: The calculation of the originally-determined income amount was not documented in the case file, and as such specific cause cannot be determined.

Recommendation: We recommend that the calculation of the monthly income amount be documented explicitly in the case files so that it can be re-performed and recalculated for accuracy.

Views of responsible officials: Wake County Human Services concurs with this finding.

Wake County, North Carolina

Schedule of Findings and Questioned Costs

For the year ended June 30, 2014

Section III. Federal Award Findings, continued

Finding 2014-003, Significant Deficiency over Eligibility and Non-Material Noncompliance

Information on the federal program: Food and Nutrition Services 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: The case file should contain a completed, signed and dated Food and Nutrition Services application (DSS-8207) and completed, signed and dated recertification forms (DSS-2435) for recertification periods subsequent to the original application. The forms must be signed by an adult household member (or an authorized representative).

Condition: We noted that in one instance the recertification of the Food and Nutrition Services application was not signed or dated by the applicant.

Context: We sampled 40 case files and noted the condition above in 1 of the 40 inspected files.

Effect: The applicant was recertified to continue participating in the program inappropriately as the application for recertification form was not signed.

Cause: The cause of this condition cannot be readily determined.

Recommendation: We recommend that the County continue to train and monitor employees on the eligibility determination process, both at the initial application stage as well as at subsequent re-certifications.

Views of responsible officials: Wake County Human Services concurs with this finding.

Finding 2014-004, Significant Deficiency over Eligibility and Non-Material Noncompliance

Information on the federal program: Temporary Assistance for Needy Families (TANF), CFDA 93.558, U.S. Department of Health and Human Services, passed through the N.C Department of Health and Human Services, Division of Social Services.

Criteria or specific requirement: Work First case file should contain a completed, signed and dated application. Also, in order for a family to be eligible for Work First Family Assistance, the family must assign to the State the rights the family member may have for child support from any other person.

Condition: We noted instances where the Required Forms and Notices section of the Work First application was not completed by the applicant; specifically, certain boxes were not manually checked indicating that various forms/notices were provided to the applicant.

Context: We sampled 40 case files and noted the condition above in 3 of the 40 inspected files.

Effect: The applications were processed in spite of being incomplete.

Cause: The cause of this condition cannot be readily determined.

Wake County, North Carolina

Schedule of Findings and Questioned Costs

For the year ended June 30, 2014

Section III. Federal Award Findings, continued

Finding 2014-004, Significant Deficiency over Eligibility and Non-Material Noncompliance, continued

Recommendation: We recommend that the County continue to train and monitor employees on the eligibility determination process and follow existing policies/procedures designed to ensure that program applications are completed correctly and in their entirety.

Views of responsible officials: Wake County Human Services concurs with this finding.

Wake County, North Carolina

Schedule of Findings and Questioned Costs

For the year ended June 30, 2014

Section IV. Corrective Action Plans

Finding 2014-001

Name of Contact Person: Angela Strickland
Information Technology Manager
Wake County Information Services

John Higgins
Deputy Chief Information Officer
Wake County Information Services

Susan McCullen
Finance Director
Wake County Finance Department

Corrective Action Plan: Wake County will implement changes to correct items noted as deemed appropriate.

Proposed Completion Date: Spring 2015

Finding 2014-002

Name of Contact Person: Patricia Baker
Division of Social Services
Wake County Human Services

Corrective Action Plan: Wake County will remind staff that they should be documenting their calculations in the electronic file via supervisory reminders and during trainings and staff meetings.

Proposed Completion Date: December 2014

Finding 2014-003

Name of Contact Person: Patricia Baker
Division of Social Services
Wake County Human Services

Corrective Action Plan: Wake County will continue to train and monitor staff throughout the entire eligibility determination process – applications and recertifications.

Proposed Completion Date: December 2014

Wake County, North Carolina

Schedule of Findings and Questioned Costs

For the year ended June 30, 2014

Section IV. Corrective Action Plans, continued

Finding 2014-004

Name of Contact Person: Patricia Baker
Division of Social Services
Wake County Human Services

Corrective Action Plan: Wake County will continue to train and monitor staff on the eligibility determination process and will follow existing policies/procedures to ensure that applications are completed correctly and completely.

Proposed Completion Date: December 2014

Wake County, North Carolina
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2014

2013-01

Condition: During fiscal year 2013, management determined there were two instances where prior period adjustments were required to correct errors in the Government-wide financial statements related to capital assets and debt.

Current status: Management considers this finding cleared and no correcting entries were required for the year ended June 30, 2014.

2013-02

Condition: During fiscal year 2013, auditors noted during Medicaid eligibility testing that in 2 instances all documentation of the appropriate eligibility determination for individuals had not been retained. Without the documentation of the required verification, the participants were deemed ineligible.

Current status: Management considers this finding to have been cleared during the year ended June 30, 2014.

2013-03

Condition: During fiscal year 2013, auditors noted during Foster Care and Adoption Assistance eligibility testing 2 instances where the case file did not contain appropriate documentation as specified by the Family Services Manual and Child Placement Services Manual.

Current status: Management considers this finding to have been cleared during the year ended June 30, 2014.

2013-04

Condition: During fiscal year 2013, auditors noted during TANF eligibility testing 2 instances where certain case file documentation evidencing eligibility determination could not be located.

Current status: Management considers this finding to have been cleared during the year ended June 30, 2014.

2013-05

Condition: During fiscal year 2013, auditors noted during TANF eligibility testing 1 instance where case information submitted to the State was not evidenced with documentation retained in the case files.

Current status: Management considers this finding to have been cleared during the year ended June 30, 2014.

Wake County, North Carolina
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2014

2013-06

Condition: During fiscal year 2013, auditors noted during TANF eligibility testing 2 instances where support documentation for time entered into EPIS for work performed did not agree with support retained for time spent on skills assessments.

Current status: Management considers this finding to have been cleared during the year ended June 30, 2014.

2013-07

Condition: During fiscal year 2013, auditors noted during Special Supplemental Nutrition Program for Women, Infants and Children (WIC) eligibility testing 1 instance where documentation was not retained in the case file to evidence appropriate identity and residency of the program participant.

Current status: Management considers this finding to have been cleared during the year ended June 30, 2014.

2013-08

Condition: During fiscal year 2013, auditors noted as a result of DSS crosscutting procedures that 2 employees reviewed did not include all their time in the daysheets completed by the employee for the months selected for testing.

Current status: Management considers this finding to have been cleared during the year ended June 30, 2014.

2013-09

Condition: During fiscal year 2013, auditors noted as a result of DSS crosscutting procedures that the County did not have all required certifications on file for 3 contracts selected for testing.

Current status: Management considers this finding to have been cleared during the year ended June 30, 2014.

2013-10

Condition: During fiscal year 2013, auditors noted during State/County Special Assistance for Adults eligibility testing 2 instances where documentation was not retained in the case file to evidence appropriate review of asset reserves with the Department of Transportation and County Tax Assessor's office, and 1 instance where the recipients file could not be located altogether.

Current status: Management considers this finding to have been cleared during the year ended June 30, 2014.