

**NORTHAMPTON COUNTY
JACKSON, NORTH CAROLINA**

COMPLIANCE LETTERS

FOR THE YEAR ENDED JUNE 30, 2015

NORTHAMPTON COUNTY, NORTH CAROLINA

COMPLIANCE LETTERS FOR THE YEAR ENDED JUNE 30, 2015

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

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

Independent Auditor's Report

To the Board of County Commissioners
Northampton County
Jackson, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Northampton County, North Carolina, as of and for the year ended June 30, 2015, not presented here, and the related notes to the financial statements, which collectively comprise Northampton County's basic financial statements, and have issued our report thereon dated February 29, 2016. Our report includes a reference to other auditors who audited the financial statements of the Northampton County ABC Board, as described in our report on Northampton County's financial statements. The financial statements of Northampton County Tourism Development Authority and Northampton County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001, 2015-002, 2015-003, and 2015-004 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northampton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003.

Northampton County's Responses to Findings

Northampton County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
February 29, 2016

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

Independent Auditor's Report

To the Board of County Commissioners
Northampton County
Jackson, North Carolina

Report On Compliance for Each Major Federal Program

We have audited Northampton County, North Carolina's, compliance with the types of compliance requirements described in the *OMB A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Northampton County's major federal programs for the year ended June 30, 2015. Northampton 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 Northampton County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northampton County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion On Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned costs as item 2015-005. Our opinion on each major federal program is not modified with respect to this matter.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-005, that we consider to be a material weakness.

The County's response to the internal control over compliance 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 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 Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Northampton County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Northampton County's basic financial statements. We issued our report thereon dated February 29, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northampton County's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
February 29, 2016

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

Independent Auditor's Report

To the Board of County Commissioners
Northampton County
Jackson, North Carolina

Report On Compliance for Each Major State Program

We have audited Northampton County, North Carolina'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 Northampton County's major State programs for the year ended June 30, 2015. Northampton County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion On Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with applicable sections of OMB Circular A-133, as described in the *Audit Manual for Government Auditors in North Carolina* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-005. Our opinion on each major State program is not modified with respect to this matter.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-005, that we consider to be a material weaknesses.

The County's response to the internal control over compliance 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 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 Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Northampton County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Northampton County's basic financial statements. We issued our report thereon dated February 29, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northampton County's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
February 29, 2016

NORTHAMPTON COUNTY, NORTH CAROLINA

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

1. Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	Yes
• Significant deficiency identified that is not considered to be material weakness?	None reported
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Major federal programs for Northampton County, North Carolina, for the fiscal year ended June 30, 2015, are:

<u>Program Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.778
Water and Waste Program Cluster	10.760
Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$1,173,475</u>
Auditee qualified as low-risk auditee	No

NORTHAMPTON COUNTY, NORTH CAROLINA

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

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

State Awards

Internal control over major State programs:

- Material weakness identified? Yes
- Significant deficiency identified that is not considered to be material weakness? None reported

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

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

Major State programs for Northampton County, North Carolina, for the fiscal year ended June 30, 2015, are:

Program Name

Medicaid Cluster
Special Assistance for Adults
Industrial Development Grant

NORTHAMPTON COUNTY, NORTH CAROLINA

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

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

Finding 2015-001

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

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

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

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

Effect: Material misstatements of the financial statements could result.

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

Name of Contact Person: Leslie Edwards, Finance Officer

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

NORTHAMPTON COUNTY, NORTH CAROLINA

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

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

Finding 2015-002

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

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

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

Effect: Material misstatements of the financial statements could result.

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

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

Name of Contact Person: Leslie Edwards, Finance Officer

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

NORTHAMPTON COUNTY, NORTH CAROLINA

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

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

Finding 2015-003

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

Condition: In the current year, there were violations of the NC General Statute 159-25(a)(2) with regard to expenditures exceeding appropriations and, therefore, a failure in the pre-audit requirement. Several funds were also operating in a deficit. A detailed note on the excess of expenditures over appropriations and deficit fund balances is found in the notes to the financial statements.

Context: Lack of budgetary control

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

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

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

Name of Contact Person: Leslie Edwards, Finance Officer

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

NORTHAMPTON COUNTY, NORTH CAROLINA

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

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

Finding 2015-004

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

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

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

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

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

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

Name of Contact Person: Leslie Edwards, Finance Officer

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

NORTHAMPTON COUNTY, NORTH CAROLINA

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

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

Finding 2015-005

Criteria: The County should have adequate monitoring controls to ensure that all budget information from the State’s eligibility system, known as North Carolina Families Accessing Services through Technology (NC FAST), contains the correct gross income amount.

Condition: Net income instead of gross income was used to calculate eligibility for a program. This error caused the participant to incorrectly qualify for MAD instead of MQB-B.

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

Effect: Participant case file budget calculation was incorrect.

Cause: Net income was used to calculate benefits instead of gross income causing incorrect calculation of benefits.

Questioned Costs: The questioned costs are approximately six months of benefits for one of the participants selected for compliance testing. The participant received six months’ worth of benefits for capitation fees which are not covered under MQB-B for a total of \$677.78 questioned costs.

Recommendation: Management should monitor the systems of internal controls over participant budget calculations and NC FAST data to ensure that controls are operating as intended. Management oversight of the reconciliation process would reduce the risk of further noncompliance.

Contact Person: Shelia Manley-Evans, Social Services Director

DSS Program Affected:

<u>Federal Grantor</u>	<u>Pass-Through Agency</u>	<u>Program Name</u>	<u>CFDA #</u>
U.S. Health and Human Services	N.C. Health and Human Services	Medicaid Cluster	93.775, 93.777, 93.778

Management Response and Plan of Corrective Action: Medicaid Supervisor will monitor applications to be sure correct income is used.

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

Finding 2015-005

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

Finding 2014-001:

Status: Repeated as Finding 2015-001.

Finding 2014-002:

Status: Repeated as Finding 2015-002.

Finding 2014-003:

Status: Modified and repeated as Finding 2015-003.

Finding 2014-004:

Status: Repeated as Finding 2015-004.

Finding 2014-005:

Status: Corrected.

NORTHAMPTON COUNTY, NORTH CAROLINA

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

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
Federal Awards:			
<u>U.S. Department of Agriculture:</u>			
Passed-Through NC Dept of Agriculture Community Facilities Loans and Grants Cluster Community Facilities Loans and Grants Cluster - Farmers Home Grant	10.780	\$ 34,206	\$ -
<u>Total NC Dept of Agriculture</u>		<u>34,206</u>	<u>-</u>
<u>Water and Waste Program Cluster:</u>			
Direct Programs:			
Water and Waste Disposal Systems for Rural Communities (grant)	10.760	971,000	-
Water and Waste Disposal Systems for Rural Communities (loan)	10.760	4,876,000	-
<u>Total Water and Waste Program Cluster</u>		<u>5,847,000</u>	<u>-</u>
Passed-through the N.C. Dept. of Health and Human Services:			
<u>Division of Social Services:</u>			
Administration:			
<u>Supplemental Nutrition Assistance Program Cluster</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	353,905	(74)
<u>Total Supplemental Nutrition Assistance Program Cluster</u>		<u>353,905</u>	<u>(74)</u>
Passed-through the N.C. Dept. of Health and Human Services:			
<u>Division of Public Health:</u>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	148,154	-
Direct Benefit Payments:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	237,647	-
Total Women, Infants, and Children		<u>385,801</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>6,620,912</u>	<u>(74)</u>
<u>U.S. Department of Housing and Urban Development:</u>			
<u>CDBG - State-Administered CDBG</u>			
Passed-through N.C. Dept. of Commerce:			
Community Development Block Grants, State's Program and Non-Entitlement Grants in Hawaii	14.228	915,910	-
<u>Total CDBG - State-Administered CDBG</u>		<u>915,910</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>			
Passed-through N.C. Dept. of Public Safety:			
<u>Division of Emergency Management:</u>			
Emergency Management Performance Grants	97.042	38,220	-
<u>Total Homeland Security</u>		<u>38,220</u>	<u>-</u>

NORTHAMPTON COUNTY, NORTH CAROLINA

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

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
<u>U.S. Department of Health & Human Services:</u>			
<u>Administration on Aging</u>			
<u>Aging Cluster:</u>			
Passed-through Upper Coastal Plain Council of Governments:			
Special Programs for the Aging - Title III B			
Grants for Supportive Services and Senior Centers	93.044	15,040	885
In-Home Title III B	93.044	5,181	305
Special Programs for the Aging - Title III C			
Nutrition Services	93.045	18,213	1,071
Nutrition Services Incentive Program	93.053	9,008	-
Title III Part C Home Delivered Meals	93.045	77,513	4,560
<u>Total Aging Cluster</u>		124,955	6,821
Social Service Block Grant (SSBG) - In Home Services	93.667	7,394	211
State Caregiver Match	N/A	-	432
Access Services	N/A	-	6,290
In-Home Services	N/A	-	56,582
Home-Delivered Meals	N/A	-	82,833
<u>Total Administration on Aging</u>		132,349	153,169
<u>Administration for Children and Families</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
<u>Division of Social Services:</u>			
<u>Temporary Assistance for Needy Families Cluster:</u>			
Temporary Assistance for Needy Families - Administration	93.558	346,342	-
Temporary Assistance for Needy Families - Direct Benefit Payments	93.558	180,578	-
<u>Total Temporary Assistance for Needy Families Cluster</u>		526,920	-
<u>Foster Care and Adoption Cluster (Note 4):</u>			
Title IV-E Foster Care	93.658	145,050	15,254
Adoption Assistance - Administration	93.659	6,873	-
Foster Care - Title IV-E	93.658	60,200	15,972
Adoption Assistance - Direct Benefit Payments	93.659	37,406	9,889
<u>Total Foster Care and Adoption Cluster (Note 4)</u>		249,529	41,115
<u>Low Income Home Energy Assistance:</u>			
Low Income Home Energy Assistance	93.568	265,300	-
Administration	93.568	25,594	-
Crisis Intervention Program	93.568	126,807	-
<u>Total Low Income Home Energy Assistance</u>		417,701	-
Child Support Enforcement	93.563	355,302	-
Promoting Safe and Stable Families	93.556	5,881	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,815	-
Social Services Block Grant	93.667	272,747	47,179
Chafee Foster Care Independence Program	93.674	3,671	918
Chafee Foster Care Independence Program - Direct Benefit	93.674	709	-

NORTHAMPTON COUNTY, NORTH CAROLINA

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

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
<u>Subsidized Child Care Cluster (Note 4):</u>			
<u>Child Care Development Fund Cluster:</u>			
Division of Social Services			
Child Care Development Fund-Administration	93.596	96,359	-
Division of Child Development			
Child Care and Development Block Grant	93.575	351,045	-
Child Care and Development Fund -- Mandatory	93.596	128,484	-
Child Care and Development Fund -- Match	93.596	163,231	64,934
<u>Total Child Care Development Fund Cluster (Note 4)</u>		739,119	64,934
Temporary Assistance for Needy Families - TANF Cluster	93.558	93,953	-
Foster Care Title IV-E	93.658	8,388	4,344
TANF-MOE	N/A	-	30,198
<u>Total Subsidized Child Care Cluster (Note 4)</u>		841,460	99,476
Total Administration for Children and Families		2,675,735	188,688
<u>Centers for Medicare and Medicaid Services</u>			
<u>Medicaid Cluster</u>			
Direct Benefit Payments:			
Medical Assistance Program	93.778	26,736,619	15,278,173
<u>Division of Social Services</u>			
Administration:			
Medical Assistance Program	93.778	979,089	2,754
<u>Total Medicaid Cluster</u>		27,715,708	15,280,927
Children's Health Insurance Program - NC Health Choice - Direct Benefit Payments	93.767	209,010	66,344
State Children's Health Insurance Program - NC Health Choice - Administration	93.767	12,670	1,125
Total Centers for Medicare and Medicaid Services		27,937,388	15,348,396
<u>Centers for Disease Control and Prevention</u>			
Passed-through the N.C. Dept. of Health and Human Services:			
<u>Division of Public Health</u>			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	31,664	-
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	9,361	-
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	28	-
Immunization Cooperative Agreements	93.268	8,716	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	17,822	-
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	16,520	-
HIV Prevention Activities_Health Department Based	93.940	64,569	-
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	217	-
Preventive Health and Health Services Block Grant	93.991	2,724	-
<u>Administration of Children and Families</u>			
passed through NC Dept of Health and Human Services			
<u>Division of Social Services</u>			
Temporary Assistance for Needy Families Cluster	93.558	3,560	-

NORTHAMPTON COUNTY, NORTH CAROLINA

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

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
<u>Health Resources and Services Administration</u>			
passed through NC Dept of Health and Human Services			
<u>Division of Public Health</u>			
Affordable Care Act ACA Maternal, Infant and Early Childhood			
Home Visiting Program	93.505	496,252	-
Maternal and Child Health Services Block Grant to the States	93.994	68,849	51,643
<u>Office of Population Affairs</u>			
passed through the NC Dept of Health and Human Services			
<u>Office of Population Affairs</u>			
Family Planning Services	93.217	40,931	-
Total U.S. Department of Health and Human Services		31,506,685	15,741,896
<u>U.S. Department of Transportation</u>			
Passed-through the N.C. Department of Transportation:			
<u>Highway Safety Cluster</u>			
State and Community Highway Safety	20.600	15,500	-
Total Highway Safety Cluster		15,500	-
<u>Highway Planning and Construction Cluster</u>			
Highway Planning and Construction	20.205	18,621	-
Total Highway Planning and Construction Cluster		18,621	-
Total U.S. Department of Transportation		34,121	-
Total Federal awards		<u>39,115,848</u>	<u>15,741,822</u>
State Awards:			
<u>N.C. Dept. of Health and Human Services:</u>			
Division of Social Services:			
State/County Special Assistance for Adults - Direct Benefit Payment		-	379,323
SFHF Maximization - Direct Benefit		-	5,787
State Foster Home - Direct Benefit		-	9,610
CWS Adoption Subsidy / Vendor Payments - Direct Benefit		-	46,219
State Child Welfare Service		-	4,505
Total Division of Social Services		-	445,444
Division of Public Health:			
Food and Lodging Fees		-	3,660
General Aid-to-County		-	104,240
Public Nursing Health		-	400
General Communicable Disease Control		-	2,440
Risk Reduction/Health Promotion		-	6,286
Breast and Cervical Cancer Control		-	9,180
Maternal Health (HMHC)		-	1,802
Child Health		-	1,818
HMHC-Family Planning		-	3,845
Women's Health Service Fund		-	5,186
HIV/STD State		-	400

NORTHAMPTON COUNTY, NORTH CAROLINA

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

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
HIV/STD SSBG Aid		-	100
Sexually Transmitted Diseases		-	1,123
School Nurse Funding Initiative		-	142,072
Tuberculosis		-	30,475
TB Medical Services		-	1,282
Total Division of Public Health		-	314,309
Total N.C. Dept. of Health and Human Services		-	759,753
<u>N.C. Dept. of Environment and Natural Resources</u>			
Division of Soil and Water Conservation:			
Soil & Water Conservation Grant		-	18,137
Total Division of Soil and Water Conservation		-	18,137
<u>N.C. Dept. of Transportation</u>			
Rural Operating Assistance Program (ROAP) Cluster			
ROAP Elderly and Disabled Transportation	DOT-16CL	-	51,993
ROAP Rural General Public Program	DOT-16CL	-	47,424
ROAP Work First	DOT-16CL	-	8,895
Total Rural Operating Assistance Program (ROAP) Cluster		-	108,312
Rail Industrial Access	DOT-18	-	2,069
Total N.C. Dept. of Transportation		-	110,381
<u>NC. Dept. of Commerce</u>			
NC Rural Center Grant		-	54,569
Industrial Development Grant		-	500,000
Total N.C. Dept of Commerce		-	554,569
<u>N.C. Dept. of Cultural Resources</u>			
NCARTS Council			
Arts Grant		-	8,510
Total N.C. Dept of Cultural Resources		-	8,510
<u>N.C. Dept. of Crime Control and Public Safety</u>			
Treatment for Effective Community Supervision (TECS) Program		-	91,700
Project Challenge (Note 3)		-	29,000
JCPC Administration		-	4,000
NC Jobs Program (Note 3)		-	31,297
Children Matter (Note 3)		-	27,547
Total N.C. Dept. of Crime Control and Public Safety		-	183,544
<u>N.C. Department of Public Instruction</u>			
Public School Building Capital Fund (Note 3)		-	206,000
Total N.C. Department of Public Instruction		-	206,000
Total State awards		-	1,840,894
Total Federal and State awards		\$ 39,115,848	\$ 17,582,716

NORTHAMPTON COUNTY, NORTH CAROLINA

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

<u>Grantor / Pass-through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>

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

1. Basis of Presentation

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

2. Summary of Significant Accounting Policies

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

3. Subrecipients

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

<u>Subrecipient/Program Name</u>	<u>CFDA</u>	<u>Federal</u>	<u>State</u>
Northampton County Board of Education	N/A	\$ -	\$ 206,000
Project Challenge	N/A	-	29,000
NC Jobs Programs	N/A	-	31,297
Children Matters	N/A	-	27,547
Total		\$ -	\$ 293,844

4. Program Clusters

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

Subsidized Child Care and Foster Care and Adoption

5. Loans Outstanding

Northampton County had the following loan balances outstanding at June 30, 2015. The loan made during the year are included in the SEFSA in the federal expenditures presented in the schedule. Balances and transactions related to these programs are included in the County's basic financial statements.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through</u>	<u>Amount Outstanding</u>
		<u>Grantor's Number</u>	
Water and Waste Disposal Systems for Rural Communities	10.760	NA	\$ 4,876,000