



**DURHAM COUNTY, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL  
AND STATE AWARDS**

*For the Year Ended June 30, 2014*

*And Report on Compliance and Internal Control*

# DURHAM COUNTY, NORTH CAROLINA

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**Report of Independent Auditor 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  
Durham County, North Carolina  
Durham, North Carolina

We have audited, in accordance with the 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Durham 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 20, 2014. Our report includes a reference to other auditors, who audited the financial statements of the Durham County ABC Board (the "Board"), as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and 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.

Our consideration of the internal control over financial reporting 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 County'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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

### **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*.

### **Durham County's Response to Finding**

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Cheryl Berkant" followed by a stylized flourish.

Raleigh, North Carolina  
November 20, 2014

**Report of Independent Auditor on Compliance for Each Major Federal 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  
Durham County, North Carolina  
Durham, North Carolina

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

We have audited Durham County, North Carolina (the "County"), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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 each of 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 on 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.

**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, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

### **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 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 issued our report thereon dated November 20, 2014, which contained an unmodified opinion on those financial statements. We did not audit the financial statements of the Durham County ABC Board (the "Board"). Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts for the Board, is based solely on the reports of the other auditors. Our audit was performed 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 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 basic 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 basic financial statements taken as a whole.

### **Purpose of this Report**

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.



Raleigh, North Carolina  
November 20, 2014

**Report of Independent Auditor on Compliance with Requirements  
Applicable to Each Major State Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133 and the  
State Single Audit Implementation Act**

Board of County Commissioners  
Durham County, North Carolina  
Durham, North Carolina

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

We have audited Durham County, North Carolina (the "County"), 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; 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 on the County's compliance.

**Opinion on Each Major State Program**

In our opinion, the County complied, in all material respects, with the 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.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of section OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as items 2014-002. Our opinion on each major State program is not modified with respect to this matter.

The County's response to the noncompliance 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.

### **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, we considered the County's internal control over compliance with 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, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 or significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-003 that we consider to be a significant deficiency.

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.



**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 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 issued our report thereon dated November 20, 2014, which contained an unmodified opinion on those financial statements. We did not audit the financial statements of the Durham County ABC Board (the "Board"). Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts for the Board, is based solely on the reports of the other auditors. Our audit was conducted for the purpose of forming an opinion 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 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 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 basic financial statements taken as a whole.

**Purpose of this Report**

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.



Raleigh, North Carolina  
November 20, 2014

**DURHAM COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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(es) identified?  yes  no
- Significant deficiency (ies) identified that are not considered to be material weakness(es)?  yes  none reported
- Noncompliance material to Financial Statements noted?  yes  no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  no
- Noncompliance material to federal awards?  yes  no

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 Circular A-133?  yes  no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program/Cluster Name</u>
93.563	Child Support Enforcement
93.658-4CL	Foster Care and Adoption Cluster
93.778	Medical Assistance Program (Medicaid; Title XIX)
93.767	Children's Health Insurance Program (CHIP)

Dollar threshold used to distinguish between Type A and Type B Programs \$ 3,000,000

Auditee qualified as low-risk auditee  yes  no

**DURHAM COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2014

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State Awards

Internal control over major State programs:

- Material weakness (es) identified?  yes  no
- Significant deficiency (ies) identified that are not considered to be material weakness(es)?  yes  no
- Noncompliance material to State awards?  yes  no

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  no

Identification of major State programs:

Program Name

- Foster Care and Adoption Programs
- CWS Adopt Subsidy – Direct Benefit Payment
- Medical Assistance
- Health Choice
- Child Support Enforcement
- Juvenile Crime Prevention
- Public School Building Capital Fund

**SECTION II – FINDINGS AND QUESTIONED COSTS RELATED TO THE  
AUDIT OF FEDERAL AND STATE AWARDS**

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**II – Financial Statement Findings**

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**Material Weakness**  
**Finding 2014-001**

Criteria: The Finance Department is responsible for accurately recording and reporting cash in the proper period and fiscal year.

Condition: During the current year, fiscal year 2014, we discovered an outstanding reconciling item to the County's general ledger in one of the bank reconciliations in the amount of \$916,282. The item had cleared the bank statement prior to year end but was not recorded in the general ledger in the current year. The amount should have been recorded in the current year.

Context: During the cash reconciliation process the County performed, this outstanding reconciling item to the County's general ledger was identified and noted as such on the reconciliation. The document number where the transaction posted to the general ledger in July of the following fiscal year was noted on the reconciliation beside the outstanding item. However, the noted transaction should have been reclassified in the general ledger in the proper period and fiscal year but was not. As such, the misstatement of the item in the current period was not discovered until the auditor reviewed the bank reconciliations and discussed it with the County. In researching the item, it was

**DURHAM COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED JUNE 30, 2014*

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discovered that this outstanding item was an automated electronic payment originally processed in the correct current period; however, due to a vendor processing error, the process did not complete and post to the general ledger. Once the vendor error was corrected, the process was repeated on July 2, 2014 and posted accordingly. It was not realized by staff at that time that the document date of July 2nd determined the posting period and fiscal year. In addition, because the item was noted as being posted in the following month on the reconciliation, it was inadvertently overlooked that the transaction was not being posted in the proper period and fiscal year. After completion of the County's research on the item, the County agreed with the misstatement and has made the necessary adjustment reclassifying the transaction reversing it in fiscal year 2015 and recording it in the current year and will strengthen its controls over resolution of outstanding items to the general ledger on the bank reconciliation at year end to avoid this type of oversight going forward.

Effect: Cash was overstated and accounts payable was understated in fiscal year 2014.

Cause: Controls over resolution of outstanding items to the general ledger on the bank reconciliations at year end appear to be weak and an outstanding reconciling item was not resolved properly, with considerations of the fiscal year end.

Recommendation: We recommend that the County review internal controls over the resolution of outstanding items to the general ledger in the year end bank reconciliation process to ensure that these items are recorded in the proper period and fiscal year. This will ensure that general ledger balances are accurate and properly recorded.

Management Response: Management agrees with the finding.

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**III – Federal Award Findings and Questioned Costs**

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None

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**IV – State Award Findings and Questioned Costs**

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**U.S. Department of Health and Human Services**  
**DSS Crosscutting**

**Finding 2014-002**

**NONMATERIAL NONCOMPLIANCE**  
**Allowable costs and Reporting**

Criteria: The DSS Services Information System User's Manual requires that daysheets account for 100% of employee time and that program codes and activity codes are summarized correctly, that day sheet entries are supported by documentation in case record files and that daysheet summaries are transferred to the DSS-1571 accurately to an eligible fund source.

Condition: We noted one instance in which supporting documentation for the employee's time worked was not provided.

Questioned costs: None. All of the employee's time was still reimbursable under Part I of the DSS-1571. There is a chance that the employee time was not accurately transferred to the correct funding source.

Context: Out of 60 service dates tested, we noted one instance in which the employee's time entered for a service performed was not supported by a narrative in the case file.

Effect: Program codes and activity codes of DSS employees are not allocated accurately to an eligible fund source.

**DURHAM COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED JUNE 30, 2014*

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Cause: Appropriate documentation was not included in the respective files.

Recommendation: Durham County should check daysheets as they are entered and follow up with supervisors of employees whose daysheets have not been received. Additionally, the County should continue to train employees on the proper procedures to ensure that documentation is obtained and included/supported in the files.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement adequate procedures to ensure that this problem does not recur.

**DURHAM COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED JUNE 30, 2014*

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**U.S. Department of Health and Human Services**  
**DSS Crosscutting**

**Finding 2014-003**

**SIGNIFICANT DEFICIENCY**  
**Allowable costs and Reporting**

Criteria: Employee daysheets should agree to the monthly Percentage of Time Report submitted to the State.

Condition: We noted three instances in which the employee's daysheet for a month chosen did not agree to the Percentage of Time Report submitted for that month.

Context: Out of 60 daysheets tested, we noted three instances in which the employee's daysheet did not agree to the Percentage of Time Report.

Effect: By the daysheets not agreeing to the Percentage of Time Report, the time reported to the State is inaccurate.

Cause: There is a lack of employee and supervisor oversight over time entered for the month.

Recommendation: We recommend that Durham County adhere to policies in place to ensure that daysheets agree to the Percentage of Time Report submitted to the State.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will implement adequate procedures to ensure that this problem does not recur.

**DURHAM COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED JUNE 30, 2014*

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**SECTION III – SCHEDULE OF CORRECTIVE ACTION PLANS**

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**II – Financial Statement Findings**

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**Finding 2014-001**

Material Weakness

Name of contact person: Susan Tezai, Deputy Chief Financial Officer

Corrective action: Management has implemented additional controls/procedures at year end regarding outstanding items to the general ledger in the year end bank reconciliation process to ensure that these items are recorded in the proper period and fiscal year. These outstanding items are to be communicated by the reconciler to the appropriate staff and reclassified to the proper period and fiscal year within 30 days after year end. Management currently does a monthly review; however, management will now include in their yearend review that resolution of all outstanding reconciling items to the general ledger in the initial reconciliation has been resolved within 30 days after yearend and the yearend reconciliation has been adjusted accordingly.

Proposed completion date: Already completed

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**III – Federal Award Findings and Questioned Costs**

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None

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**IV – State Award Findings and Questioned Costs**

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**Finding 2014-002**

Nonmaterial Noncompliance

Name of contact person: Catherine Davis, Compliance Manager

Corrective action: This instance involved a staff person who had a prior history with the above documentation issues as well as additional performance concerns. At the time of the instance, these issues were being addressed through the agency disciplinary process. This staff person is no longer employed with the agency.

Proposed completion date: Immediately

**Finding 2014-003**

Significant Deficiency

Name of contact person: Catherine Davis, Compliance Manager

Corrective action: The department reviewed all three cases. In the first instance, the staff person added additional time after the daysheet deadline, after the supervisor had approved, and after data had been uploaded. In the second and third instance, two staff used an incorrect Services Information System code. As a result, these services did not process through the system and were not transferred to the Percentage of Time Report.

Systems and procedures were in place; however, staff did not follow them. As a result, both the supervisors and assistant director have been notified and corrective action will be taken with the staff for not following agency policy.

Proposed completion date: Immediately

**DURHAM COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED JUNE 30, 2014*

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**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

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**II – Financial Statement Findings**

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**Material Weakness**  
**Finding 13-01**

Status: Corrected

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**III – Federal Award Findings and Questioned Costs**

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None

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**IV – State Award Findings and Questioned Costs**

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**Significant Deficiency**  
**Finding 13-02**

Status: Corrected

**Significant Deficiency**  
**Finding 13-03**

Status: Uncorrected



DURHAM COUNTY, NORTH CAROLINA

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

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES	
		FEDERAL	STATE
<b>FEDERAL AWARDS</b>			
<b><u>U.S. Dept. of Agriculture</u></b>			
<b><u>Food and Nutrition Service</u></b>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Social Services:			
Administration:			
<b><u>Food Stamp Cluster</u></b>			
Food Stamp Administration	10.561	\$ 2,170,948	\$
Division of Public Health:			
Administration:			
Food Nutrition Administration	10.551	327,592	
AGRI-SFP Food Program Meal	10.559	6,893	
Division of Aging:			
Special Programs for the Aging - Title III-B	93.044	385,622	
Special Programs for the Aging - Title III-C	93.045	150,498	
Nutrition Services Incentive Program(NSIP)	93.053	30,370	
Passed-through the N.C. Dept. of Agriculture			
Food Distribution Division	10.565	1,457	
Passed-through the N.C. Agricultural and Technical State University			
Sustainable Agriculture Research and Education	10.500	25,256	
<b>Total U.S. Dept. of Agriculture</b>		<b>\$ 3,098,636</b>	<b>\$</b>
<b><u>U.S. Dept. of Justice</u></b>			
<b><u>Bureau of Justice Assistance</u></b>			
Passed-through the N.C. Dept. of Crime Control & Public Safety:			
National Asset Seizure forfeiture Program	16.000	3,242	
Office of Justice Programs	16.203	58,943	
State Criminal Alien Assistance Program	16.606	78,916	
Edward Byrne Memorial Justice Assistance Grant	16.738	75,966	
Second Chance Act Prisoner Reentry Initiative	16.812		
Passed-through the City of Durham			
Criminal & Juvenile Justice & Mental Health Collaboration Program	16.745		
<b>Total U.S. Dept of Justice</b>		<b>\$ 217,067</b>	<b>\$</b>
<b><u>U.S. Environmental Protection Agency</u></b>			
<b><u>Office of Water</u></b>			
Passed-through N.C. Dept. of Environment and Natural Resources:			
Division of Water Quality:			
ARRA - Clean Water State Revolving Funds (Loan)	66.458	394,029	
Congressonally Mandated Projects - Reclaimed Water Facilities	66.202	780,802	
<b>Total U.S. Environment Protection Agency</b>		<b>\$ 1,174,831</b>	<b>\$</b>
<b><u>U.S. Dept. of Homeland Security</u></b>			
Passed-through the N.C. Dept. of Homeland Security:			
Emergency Management Performance Grant	97.042	59,965	
<b>Total U.S. Dept. of Homeland Security</b>		<b>\$ 59,965</b>	<b>\$ -</b>

DURHAM COUNTY, NORTH CAROLINA

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

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES	
		FEDERAL	STATE
<b><u>U.S. Dept. of Housing and Urban Development</u></b>			
<b>Passed-through the N.C. Housing Finance Agency</b>			
HOME Investment Partnerships Program	14.239	\$ 57,458	\$
Passed-through The City of Durham:			
Office of Community Planning and Development			
Community Development Block Grant	14.218		
<b>Passed-through the Department of Commerce</b>			
Community Development Block Grant	14.228	66,004	
<b>Office of Community Planning and Development</b>			
Passed-through The City of Durham:			
Community Development Block Grant	14.218	42,085	
<b>Total U.S. Dept. of Housing and Urban Development</b>		<b>\$ 165,547</b>	<b>\$</b>
<b><u>U.S. Dept of Transportation</u></b>			
<b>Passed- through the N.C. Dept. of Transportation</b>			
<b>Division of Public Transportation</b>			
Capital Assistance Program	20.513		
New Freedom Transportation Program	20.521	14,211	19,609
Passed- through the N.C. Dept. of Crime Control & Public Safety:			
Division of Emergency Management			
Hazardous Materials Emergency Planning	20.703	690	
<b>Total U.S. Dept. of Transportation</b>		<b>\$ 14,901</b>	<b>\$ 19,609</b>
<b><u>U.S. Dept. of Health &amp; Human Services</u></b>			
<b>Division of Public Health:</b>			
<b>Passed-through the N.C. Dept. of Health and Human Services:</b>			
<b>Centers for Disease Control and Prevention</b>			
<b>Division of Public Health:</b>			
Medical Reserve Corps Grant	93.008	3,500	
Public Health Emergency Preparedness	93.074	73,120	
CDC Tuberculosis Project	93.116	39,133	85,048
CDC Immunization	93.268	57,158	
Comprehensive Breast and Cervical Cancer Early Detection Program	93.919	13,260	7,650
HIV Prevention Activities - Health Department Based	93.940	328,994	86,743
Prevent Health Service STD Control Grant	93.977	24,264	21,460
		<u>539,429</u>	<u>200,901</u>
<b>Administration of Children and Families</b>			
<b>Division of Social Services:</b>			
SSBG - HIV/STD Aid	93.667	-	
Temporary Assistance for Needy Families	93.558	26,722	
Refugee Health Assessments	93.576	10,120	
		<u>36,842</u>	<u>-</u>
<b>Health Resources and Service Administration</b>			
<b>Division of Public Health:</b>			
Family Planning Services	93.217	45,277	
Preventive Health Service Block Grant	93.991	9,951	5,879
Maternal Health	93.994	88,675	77,381
MCH Block Grant -Women's Prevention	93.994	113,096	203,277
-Child Care Coordination	93.994	43,501	32,630
-Child Health	93.994	11,372	8,530
		<u>311,872</u>	<u>327,697</u>

DURHAM COUNTY, NORTH CAROLINA

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

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES	
		FEDERAL	STATE
<b>Passed-through the National Association fo County and City Health Officials</b>			
<b>Office of Centers for Disease Control and Prevention:</b>			
National Public Health Improvement Initiative	93.292	6,750	
<b>Passed-through the Person County Health Department</b>			
<b>Office of Centers for Disease Control and Prevention:</b>			
Community Transformation Grants	93.531	1,503	
<b>Passed-through Duke University:</b>			
<b>Division of Medical Assistance:</b>			
Medical Assistance Program	93.778	789,323	304,528
<b>Centers for Medicare and Medicaid Services</b>			
Health Care Innovation Awards	93.610	537,453	
<b>Total Public Health</b>		<b>2,223,172</b>	<b>833,126</b>
<b><u>U.S. Dept. of Health &amp; Human Services</u></b>			
<b><u>Administration for Children and Families</u></b>			
<b>Passed-through N.C. Dept. of Health and Human Services:</b>			
<b>Division of Social Services:</b>			
<b><u>Foster Care and Adoption Cluster:</u></b>			
CWS Adopt Subsidy - Direct Benefit Payment	93.649	\$	\$ 744,979
Title IV E Adopt Assistance - Direct Benefit Payment	93.659	899,509	235,954
IV E CPS	93.658	335,056	310,490
IV-E Optional	93.659	106,361	
IV E Foster Care	93.658	1,056,734	111,671
Adoption/Guardianship	93.558	152,096	42,268
Total Foster Care and Adoption Cluster		2,549,756	1,445,362
TANF - Direct Benefit Payments	93.558	1,389,726	(103)
Work First Administration	93.558	477,526	
Work First Service	93.558	2,171,646	
Special Children Adoption	93.558	9,313	
Family Preservation	93.556	16,212	
Title IV D - Child Support Enforcement	93.563	3,165,900	
Refugee Assistance	93.566	30,980	
Low Income Energy Adminstration	93.568	208,556	
Low Income Home Energy Assistance Program	93.568	996,500	
Crisis Intervention	93.568	622,797	
Refugee Assistance Payments - Direct Benefit Payment	93.566	61,865	
Day Care Coordinator	93.596	575,991	
Permanency Planning - Child Welfare Services	93.645	287,255	
SSBG - Other Service and Training	93.667	1,176,305	142,847
Independent Living - (LINK)	93.674	46,288	9,913
<b>Division of Aging:</b>			
SSBG - In Home Service Fund	93.667	120,413	
SSBG - Adult Day Care	93.667	75,454	47,064
<b>Sub-Total</b>		<b>11,432,727</b>	<b>199,721</b>
<b>Division of Child Development:</b>			
<b><u>Subsidized Child Care Cluster</u></b>			
Child Care and Development Fund - Discretionary	93.575	7,014,851	
Child Care and Development Fund - Mandatory	93.596	2,095,019	
Child Care and Development Fund - Match	93.596	790,891	
Temporary Assistance for Needy Families	93.558	2,775,563	
TANF - Maintenance of Effort			1,841,063
Total Subsidized Child Care Cluster		12,676,324	1,841,063
IV-E Foster Care	93.575	150,713	75,251
<b>Total Child Development</b>		<b>12,827,037</b>	<b>1,916,314</b>
<b>Total Administration for Children and Families</b>		<b>\$ 26,809,520</b>	<b>\$ 3,561,397</b>

**DURHAM COUNTY, NORTH CAROLINA**

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

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES	
		FEDERAL	STATE
<b><u>Substance Abuse and Mental Health Service Administration</u></b>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Mental Health, Developmental Disabilities			
Building Every Chance of Making It Now and Grown Up Project	93.104	\$ 303,481	\$
<b><u>Health Care Financing Administration</u></b>			
Passed-through the N.C. Dept. of Health and Human Services:			
Division of Medical Assistance:			
Direct Benefit Payments:			
Medical Assistance Program	93.778	\$ 188,036,545	\$ 102,009,495
Children Health Insurance Program	93.767	6,670,981	2,104,692
Division of Social Services:			
Administration:			
Health Choice	93.767	135,279	9,677
Adult Care Home Case Management	93.778	41,117	38,892
Medical Assistance Administration	93.778	3,302,361	
Medical Assistance Transportation	93.778	580,446	1,831
State County Special Assistance	93.778	79,914	
Medical - At Risk Adults	93.778	305,942	
<b>Total Division of Medical Assistance</b>		<b>\$ 199,152,585</b>	<b>\$ 104,164,587</b>
<b>Total U.S. Dept. of Health and Human Services</b>		<b>\$ 228,488,758</b>	<b>\$ 108,559,110</b>
<b>Total Federal Awards</b>		<b>\$ 233,219,705</b>	<b>\$ 108,578,719</b>
<b>STATE AWARDS</b>			
<b><u>N.C. Dept. of Health and Human Services</u></b>			
Division of Social Services:			
Domiciliary Care - Direct Benefit Payment		\$	\$ 2,149,560
State Foster Home			187,933
Program Integrity			4,926
Total Division of Social Services			<u>2,342,419</u>
Division of Public Health:			
State Aid to Counties			168,220
General Communicable Disease Control			21,517
Women's Health Services			35,801
Environmental Health			49,867
Children's Special Health Services			20,000
Northern Piedmont Community Care Network			60,000
School Nurse Funding Initiative			100,000
Total Division of Public Health			<u>455,405</u>
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:			
Medical Assistance - Medicaid			
Total N.C. Department of Health and Human Services and Substance Abuse Services			<u>-</u>
<b>Total N.C. Dept. of Health and Human Services</b>		<b>\$</b>	<b>\$ 2,797,824</b>
<b><u>N.C. Dept. of Cultural Resources</u></b>			
State Aid To Libraries		\$	\$ 225,346
<b><u>N.C. Dept. of Transportation</u></b>			
Elderly and Disabled Transportation Assistance (E&DTAP)			242,534
Governor's Highway Safety Program			
Community Transportation			230,897
			<u>473,431</u>

**DURHAM COUNTY, NORTH CAROLINA**

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

GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES	
		FEDERAL	STATE
<b>N.C. Dept. of Environment, Health and Natural Resources</b>			
Mosquito Control Program			3,410
Storm Water Education Program			32,769
Soil and Water Conservation			25,952
			<u>62,131</u>
<b>N.C. Division of Veterans Affairs</b>			
Veterans Service Program			1,452
			<u>1,452</u>
<b>N.C. Division of Child Development</b>			
Passed-through Durham's Partnership for Children:			
Smart Start Initiative			260,161
			<u>260,161</u>
<b>N.C. Dept of Crime Control and Public Safety</b>			
Juvenile Crime Prevention (OJJ Program)			602,981
Safe Road Funds			19,022
Total N.C. Dept. of Crime Control and Public Safety			<u>622,003</u>
<b>N.C. Dept of Public Safety</b>			
Treatment for Effective Community Supervision (TECS)			140,694
			<u>140,694</u>
<b>N.C. Dept. of Agriculture &amp; Consumer Services</b>			
Spay and Neuter Program			8,142
			<u>8,142</u>
<b>N.C. Dept of Public Instruction</b>			
Child Nutrition Program			17,522
			<u>17,522</u>
<b>Office of State Budget and Management</b>			
Public School Building Capital Fund			1,469,322
			<u>1,469,322</u>
Total Other State Awards		\$	<u>3,280,204</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>		\$	<u><u>233,219,705</u></u>
		\$	<u><u>114,656,747</u></u>

**DURHAM COUNTY, NORTH CAROLINA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

YEAR ENDED JUNE 30, 2014

**1. GENERAL**

The Schedule of Expenditures and Federal and State Awards (the "Schedule") presents the activities of all Federal and State financial award programs of Durham County, North Carolina (i.e. primary government only). The Durham County, North Carolina (the "County") reporting entity is defined in Note 1 to the County's basic financial statements. All federal and State awards received directly from federal and State agencies as well as Federal and State financial awards passed through other government agencies are included in the Schedule.

**2. BASIS OF ACCOUNTING**

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

**3. BENEFIT PAYMENTS ISSUED BY THE STATE**

Benefit payment amounts, which were paid directly by the State from Federal and State monies on behalf of the County, have been separately identified and quantified on the Schedule. These direct payments do not appear within the financial statements of the County because these amounts are not revenues and expenditures of the County. County personnel are involved in certain functions, primarily with eligibility determinations that cause benefit payments to be issued by the State.

**4. SUBRECIPIENTS**

During the fiscal year ended June 30, 2014, the County provided federal and State awards to subrecipients as follows:

Program Titles	Federal CFDA #	Expenditures	
		Federal	State
<b><u>U.S. Dept. of Justice</u></b>			
<b><u>Bureau of Justice Assistance</u></b>			
Passed-through the N.C. Dept. of Crime Control & Public Safety:			
Edward Byrne Memorial Justice Assistance Grant	16.738	\$ 75,966	\$ -
Office of Justice Programs	16.203	58,943	-
<b><u>U.S. Dept. of Health and Human Services</u></b>			
<b><u>Office of Substance Abuse and Mental Health Services Administration</u></b>			
Passed-through the N.C. Dept. of Health and Human Services:			
Building Every Chance of Making it Now and Grown Up Project	93.104	303,481	-
<b><u>N.C. Dept of Crime Control and Public Safety</u></b>			
Juvenile Crime Prevention (OJJ Program)		\$ -	\$ 487,647
<b><u>N.C. Dept of Transportation</u></b>			
Rural Operating Assistance Program (ROAP)		-	241,769
<b><u>Office of State Budget and Management</u></b>			
Public School Building Capital Fund		-	1,469,322
		<u>\$ 438,390</u>	<u>\$ 2,198,738</u>