

WAKE COUNTY, NORTH CAROLINA

Raleigh, North Carolina

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

For the Year Ended
June 30, 2012

WAKE COUNTY, NORTH CAROLINA
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Board of County Commissioners
Wake County, North Carolina
Raleigh, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Wake County, North Carolina (the "County"), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012. We conducted our audit 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. Other auditors audited the financial statements of the Wake 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

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, 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*.

This report is intended solely for the information and use of management, others within the County, federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry Bekart & Holland LLP

Raleigh, North Carolina
November 30, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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
Wake County, North Carolina
Raleigh, North Carolina

Compliance

We have audited Wake County, North Carolina (the "County"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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. Our audit does not provide a legal determination of the County's compliance with those requirements.

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 federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, and which is described in the accompanying schedule of findings and questioned costs as item 2012-01.

Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-02. 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.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012, which contained an unqualified opinion on those statements. We did not audit the financial statements of the Wake County ABC Board (the "Board"). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the County's financial statements, insofar as it relates to the amounts for the Board, is based solely on the reports of the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, others within the County, federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cherry Bekert & Holland LLP". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
November 30, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR STATE PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH APPLICABLE SECTIONS OF OMB
CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Board of County Commissioners
Wake County, North Carolina
Raleigh, North Carolina

Compliance

We have audited Wake 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 its major State programs for the year ended June 30, 2012. The County's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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*; and the State Single Audit Implementation Act. Those standards, applicable sections of 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. Our audit does not provide a legal determination of the County's compliance with those requirements.

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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act and which are described in the accompanying schedule of findings and questioned costs as items 2012-03 and 2012-04.

Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-05. 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.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012, which contained an unqualified opinion on those statements. We did not audit the financial statements of the Wake County ABC Board (the "Board"). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the County's financial statements, insofar as it relates to the amounts for the Board, is based solely on the reports of the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State Awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal and State Awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, others within the County, federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Cherry Bekaert-Holland" followed by a stylized monogram or initials.

Raleigh, North Carolina
November 30, 2012

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ☐ yes ☒ no
- Significant deficiency identified that is not considered to be material weakness ☐ yes ☒ none reported

Noncompliance material to financial statements noted

☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness identified? ☐ yes ☒ no
- Significant deficiency identified that is not considered to be material weakness ☒ yes ☐ no

Noncompliance material to federal awards

☐ yes ☒ no

Type of auditors' report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133

☒ yes ☐ no

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2012

Section I. Summary of Auditors' Results (continued)

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
	Subsidized Child Care Cluster
93.575	Child Care and Development Block Grant – Discretionary
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund – Administration (Passed through Division of Social Services)
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund – Mandatory
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund – Match
93.558	Temporary Assistance for Needy Families (TANF)
93.714	ARRA – Emergency Contingency Fund for TANF
	Foster Care Cluster
93.658	Foster Care – Title IV-E
93.658	Foster Care – Title IV-E Direct Benefit Payments
93.659	Adoption Assistance
93.659	Adoption Assistance – Direct Benefit Payments
	Medicaid Cluster
93.778	Medical Assistance Program (Medicaid)
93.778	Medical Assistance Program (Medicaid) – Direct Benefit Payments
	Social Services Block Grant Cluster
93.667	Community Based Programs Mental Health
93.667	Community Based Programs Intellectual and Development Disabilities
	Special Supplemental Nutritional Food Program for Women, Infants and Children
10.557	Administration
10.557	Direct Benefit Payments
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program – N.C. Health Choice
93.994	Maternal and Child Health Services Block Grants to States
17.267	Incentive Grants – WIA Section 503

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I. Summary of Auditors' Results (continued)

Federal programs that did not meet the criteria for a major program using the criteria discussed in OMB Circular A-133 Section .520 but were tested as a major program because the State awards met the threshold for a major State program or were required to be tested as major by the State are included in the list of major federal programs.

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

\$3,000,000

Auditee qualified as low-risk auditee?

X yes no

State Awards

Internal control over major State programs:

- Material weakness identified? yes X no
- Significant deficiency identified that
is not considered to be material weakness X yes no

Noncompliance material to state awards

 yes X no

Type of auditors' report issued on compliance for major State programs: Unqualified

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

X yes no

Identification of major State programs:

Program Name

Rural Operating Assistance Program (ROAP) – Cluster
Energy Assistance Private Grants
Single Stream Funding
General
Systems Management Transition
Juvenile Crime Prevention Council Program
Child Welfare Services – Direct Benefit Payments

Other major State programs for Wake County are Subsidized Child Care Cluster, Foster Care Cluster, Medicaid Cluster and the Children's Health Insurance Program – N.C. Health Choice, which are State matches on Federal programs. Therefore, these programs have been included in the list of major federal programs above.

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section II. Financial Statement Findings

No findings noted.

Section III. Federal Awards Findings and Questioned Costs

U.S. Department of Health and Human Services
Passed through the N.C. Department of Health and Human Services, Division of Social Services
Program name: Foster Care Cluster
CFDA 93.658, 93.659

Nonmaterial Noncompliance
Finding 2012-01

Criteria or specific requirement: Funding provided should be based on eligibility determination performed.

Condition: CBH noted one instance where the child was determined to be eligible for Adoption Assistance Title IV-B but received funding under Adoption Assistance Title IV-E.

Questioned costs: Known questioned costs were determined to be \$5,700. The costs were based on the child's monthly payment from Adoption Assistance Title IV-E and the number of months paid during the fiscal year.

Context: CBH performed testing over a sample of 40 case files. Of these 40 files, 20 adoption assistance files were selected. CBH reviewed the files for each child noting one where eligibility determinations supported funding under Adoption Assistance Title IV-B while the funding was provided by Adoption Assistance Title IV-E.

Effect: By not ensuring the proper funding information is entered into the system, eligible children are funded using incorrect funding sources.

Cause: Appropriate documents were not filed in the respective files.

Recommendation: The County should continue to train employees on performing proper eligibility determinations and make sure information entered into the system agrees to the eligibility determinations made.

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

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

U.S. Department of Health and Human Services
Passed through the N.C. Department of Health and Human Services, Division of Social Services
Program name: Foster Care Cluster
CFDA 93.658, 93.659

Significant Deficiency
Finding 2012-02

Criteria or specific requirement: Physical documentation is required to properly document eligibility.

Condition: CBH noted one instance where the case file did not contain appropriate documentation as specified by the Family Services Manual and Child Placement Services Manual.

Context: CBH performed testing over a sample of 40 case files. Of these 40 files, 20 foster care files were selected. CBH reviewed the files for each child noting one where the case file did not have documentation evidencing a 6 month review was performed by the caseworker.

Effect: By not having the required documentation in the files, eligibility cannot readily be substantiated and there is a risk that the County could provide funding to individuals who are not eligible.

Cause: Appropriate documents were not filed in the respective files.

Recommendation: The County should continue to train employees on the proper eligibility and verification procedures to ensure the proper documentation is obtained and supported in the case file.

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

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section IV. State Awards Findings and Questioned Costs

U.S. Department of Health and Human Services

Passed through the N.C. Department of Health and Human Services, Division of Social Services

Program name: Child Welfare Services – State Grants

Nonmaterial Noncompliance

Finding 2012-03

Criteria or specific requirement: Funding provided should be based on eligibility determination performed.

Condition: CBH noted three instances where the child was determined to be eligible for Adoption Assistance Title IV-E but received funding under Adoption Assistance Title IV-B.

Questioned costs: Known questioned costs were determined to be \$20,280. The costs were based on the child's monthly payment from Adoption Assistance Title IV-B and the number of months paid during the fiscal year.

Context: CBH performed testing over a sample of 40 case files. CBH reviewed the files for each child noting three where eligibility determinations supported funding under Adoption Assistance Title IV-E while the funding was provided by Adoption Assistance Title IV-B.

Effect: By not ensuring the proper funding information is entered into the system, eligible children are funded using incorrect funding sources.

Cause: Appropriate documents were not filed in the respective files.

Recommendation: The County should continue to train employees on performing proper eligibility determinations and make sure information entered into the system agrees to the eligibility determinations made.

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

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Department of Social Services
DSS Crosscutting

Nonmaterial Noncompliance
Finding 2012-04

Criteria or specific requirement: The North Carolina Department of Health and Human Services requires that in-home aides used must have approved and completed time records. When a third party vendor is used to provide in-home aide services, the County must complete a monitoring tool to verify compliance with all in-home aide requirements.

Condition: All in-home aide services selected were provided by one external vendor. The required monitoring tool had not been completed for the vendor to verify compliance with in-home aide requirements.

Questioned costs: No questioned costs noted. All expenditures were deemed appropriate, but appropriate monitoring of vendors was not completed as provided for by the grantors.

Context: CBH performed testing of 16 items reported on the DSS-1571 Part IV. Of these 16 items, 11 were for in-home aide services. The required monitoring tool was not completed for the in-home aid service provider.

Effect: No verification is made by the County to ensure that in-home aides have approved and complete time records.

Cause: The monitoring tool was new for fiscal year 2012; the program manager was not previously aware of the monitoring tool.

Recommendation: CBH recommends that the program manager use the monitoring tool which has been made aware to them.

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

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Department of Social Services
DSS Crosscutting

Significant Deficiency
Finding 2012-05

Criteria or specific requirement: 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, day sheet entries are supported by documentation in case record files and day sheet summaries are transferred to the DSS-1571 accurately to an eligible fund source.

Condition: 3 employees reviewed did not include all time completed by the employee for the month of April 2012.

Context: CBH performed testing of 40 employees that are reimbursable under Part I of the DSS-1571. Of these 40 employees, 16 employees were selected who are subject to submitting daysheets to track the program and activity codes where the employee spent their time. CBH reviewed the daysheets of these 16 employees and noted that in 3 cases, 100% of the employee's time was not included.

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

Cause: The difference in the daysheets to the DSS-1571 has occurred due to data entry errors that were not caught by review.

Recommendation: CBH recommends that the data entry department take responsibility for obtaining daysheets periodically, on a predetermined schedule, throughout the month. This would require the department to check daysheets as they are entered and to follow up with supervisors of employees whose daysheets have not been received. CBH also recommends that increased review occur over the entry of the data to minimize keying errors.

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

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section V. Corrective Action Plans

Finding: 2012-01

Name of Contact Person: Warren Ludwig, Director
Child Welfare Division
Wake County Human Services

Corrective Action Plan: The Child Welfare Division will be reviewing additional adoption assistance files to ensure the funding source is correct. Child Welfare will continue to train employees on performing proper eligibility determination. In addition, Child Welfare will conduct checks to make sure information entered into the system agrees with the eligibility determinations.

Proposed Completion Date: December 2012

Finding: 2012-02

Name of Contact Person: Warren Ludwig, Director
Child Welfare Division
Wake County Human Services

Corrective Action Plan: The Child Welfare Division will continue their comprehensive new hire training and on-going refresher training for existing staff. Supervisors will be held accountable for ensuring that proper documentation is completed and placed in each case file.

Proposed Completion Date: December 2012

Finding: 2012-03

Name of Contact Person: Warren Ludwig, Director
Child Welfare Division
Wake County Human Services

Corrective Action Plan: The Child Welfare Division will be reviewing additional adoption assistance files to ensure the funding source is correct. Child Welfare will continue to train employees on performing proper eligibility determination. In addition, Child Welfare will conduct checks to make sure information entered into the system agrees with the eligibility determinations.

Proposed Completion Date: December 2012

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section V. Corrective Action Plans (continued)

Finding: 2012-04

Name of Contact Person: Craig Burrus, Program Manager
Senior and Adult Services
Wake County Human Services

Corrective Action Plan: The Program Manager will implement procedures to complete the monitoring tool for all external vendors used to provide in-home aide services.

Proposed Completion Date: March 2013

Finding: 2012-05

Name of Contact Person: Warren Ludwig, Director
Child Welfare Division
Wake County Human Services

Martha Crowley, Director
Division of Social Services
Wake County Human Services

Paul Gross, Financial Officer
Wake County Human Services

Corrective Action Plan: Instruction has been given to all staff reviewing expectations for completion of day sheets and how to use the electronic system to assure all time has been accounted for. Supervisors have been made accountable for assuring that all time is accounted for. Training will be ongoing for new employees. Data Entry will run reports on a pre-determined schedule to ensure that day sheets have been certified by the supervisors on a timely basis. Human Services Finance is running reports periodically to validate the correct coding is being used and all time is being accounted for.

Proposed Completion Date: December 2012

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

There were no findings related to federal or State awards in the prior year.

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2012

Grantor/Pass-Through Grantor/Program Titles	Federal CFDA #	Expenditures		Total
		Federal	State	
Federal Awards:				
U.S. Department of Health and Human Services				
Administration for Children and Families				
Passed-through the N.C. Department of Health and Human Services, Division of Social Services:				
Promoting Safe and Stable Families	93.556	\$ 44,898	\$ -	\$ 44,898
Temporary Assistance for Needy Families (TANF)	93.558	54,115	-	54,115
TANF - Direct Benefit Payments	93.558	3,979,169	(509)	3,978,660
Child Support Enforcement	93.563	3,380,578	-	3,380,578
Refugee and Entrant assistance-State Administered Programs:				
Direct Benefit Payments	93.566	41,983	-	41,983
Low-Income Home Energy Assistance:				
Direct Benefit Payments	93.568	1,067	-	1,067
Crisis Intervention Program	93.568	1,613,317	-	1,613,317
Administration	93.568	1,016,370	-	1,016,370
Child Welfare Services - Direct Benefit Payments	93.645	-	3,355,460	3,355,460
Child Welfare Services - State Grants	93.645	255,347	-	255,347
Social Services Block Grant	93.667	1,789,079	-	1,789,079
Links	93.674	107,355	21,170	128,525
TANF Family Violence Prevention Services Act	93.671	13,823	-	13,823
Family Support Payments to States - Direct Benefit Payments	93.560	(3,673)	(1,007)	(4,680)
Foster Care Cluster:				
Foster Care - Title IV-E	93.658	3,622,638	832,499	4,455,137
Foster Care - Title IV-E Direct Benefit Payments	93.658	760,367	248,445	1,008,812
Adoption Assistance	93.659	179,895	-	179,895
Adoption Assistance-Direct Benefit Payments	93.659	2,562,006	687,125	3,249,131
Total Foster Care Cluster		7,124,906	1,768,069	8,892,975
Administration for Children and Families				
Passed-through the N.C. Department of Health and Human Services, Division of Child Development:				
Subsidized Child Care Cluster:				
Child Care and Development Block Grant - Discretionary	93.575	11,986,085	-	11,986,085
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Administration (Passed through Division of Social Services)	93.596	1,350,003	-	1,350,003
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Mandatory	93.596	3,777,977	-	3,777,977
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Match	93.596	6,729,323	3,192,567	9,921,890
Temporary Assistance for Needy Families (TANF)	93.558	9,452,621	17,103	9,469,724
ARRA - Emergency Contingency Fund for TANF	ARRA 93.714	108,500	-	108,500
Smart Start	NA	-	(531,712)	(531,712)
State Appropriations	NA	-	1,926,123	1,926,123
TANF- Maintenance-of-Effort	NA	-	3,332,477	3,332,477
Total Subsidized Child Care Cluster		33,404,509	7,936,558	41,341,067
Substance Abuse and Mental Health Service Administration:				
Passed-through the N.C. Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services:				
MAJORS Substance Abuse	93.959	-	72,095	72,095
Treatment Alternatives for Women	93.959	430,940	-	430,940
Social Serives Block Grant Cluster				
Community Based Programs Mental Health	93.667	431,739	-	431,739
Community Based Programs Intellectual and Development Disabilities	93.667	911,835	-	911,835
		1,343,574	-	1,343,574
Mental Health Cluster				
Block Grant for Community Mental Health Services	93.958	1,597,827	-	1,597,827
Substance Abuse Services Cluster:				
Block Grant for Prevention and Treatment of Substance Abuse	93.959	2,169,978	-	2,169,978
Centers for Medicare and Medicaid Services				
Passed-through the N.C. Department of Health and Human Services, Division of Medical Assistance:				
Medicaid Cluster:				
Medical Assistance Program (Medicaid)	93.778	5,004,895	184,300	5,189,195
Medical Assistance Program (Medicaid)-Direct Benefit Payments	93.778	357,911,976	206,974,100	564,886,076
Total Medicaid Cluster		362,916,871	207,158,400	570,075,272
Children's Health Insurance Program - N.C. Health Choice	93.767	218,494	25,286	243,780

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2012

<u>Grantor/Pass-Through Grantor/Program Titles</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Federal</u>	<u>State</u>	
<u>Centers for Disease Control and Prevention</u>				
Passed-through the N.C. Department of Health and Human Services, Division of Public Health:				
Programs	93.116	55,437	-	55,437
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	148,452	-	148,452
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	55,107	18,870	73,977
HIV Prevention Activities - Health Department Based	93.940	94,176	-	94,176
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977	67,896	-	67,896
Research Studies of AIDS and HIV	93.943	47,548	-	47,548
Refugee Health	93.576	10,200	-	10,200
Federal HHS Equipment Earmark	93.887	693,000	-	693,000
Disease Control Grants	93.977	67,896	-	67,896
Public Health Emergency Preparedness	93.069	107,445	-	107,445
Immunization Program/Aid to County Funding	93.268	171,311	-	171,311
<u>Health Resources and Services Administration</u>				
HIV Core Formula Grants	93.917	1,536,685	-	1,536,685
Outpatient Early Intervention Services for HIV	93.918	492,053	-	492,053
Maternal and Child Health Services Block Grants to States	93.994	1,111,828	-	1,111,828
<u>Administration for Children and Families</u>				
Temporary Assistance for Needy Families (TANF)	93.558	770,062	-	770,062
<u>Office of the Secretary</u>				
Family Planning Services	93.218	41,250	-	41,250
<u>Substance Abuse and Mental Health Services Administration</u>				
Substance Abuse and Mental Health Services Projects	93.243	257,221	-	257,221
Block Grants for Prevention and Treatment of Substance Abuse	93.959	59,743	-	59,743
Total U.S. Department of Health and Human Services		427,287,837	220,354,393	647,642,229
U.S. Department of Agriculture:				
Passed-through the N.C. Department of Health and Human Services, Division of Social Services:				
<u>Food Stamp Cluster:</u>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	3,004,801	-	3,004,801
Passed-through the N.C. Department of Health and Human Services, Division of Public Health				
Special Supplemental Nutritional Food Program for Women, Infants and Children				
Administration	10.557	3,520,012	-	3,520,012
Direct Benefit Payments	10.557	13,941,412	-	13,941,412
Total Special Supplemental Nutrition Food Program for Women, Infants and Children		17,461,424	-	17,462,188
AGRI-SFSP Food Program Meal	10.559	764	-	764
Total U.S. Department of Agriculture		20,466,989	-	20,466,989
U.S. Department of Education:				
Passed-through the NC Department of Public Instruction				
Safe and Drug-Free Schools and Communities National Programs	84.184	75,676	-	75,676
Total U.S. Department of Education		75,676	-	75,676
U.S. Department of Justice:				
Bulletproof Vest Partnership Program	16.607	17,727	-	17,727
State Criminal Alien Assistance Program	16.606	557,891	-	557,891
Passed-through the N.C. Department of Public Safety				
Drug Court Discretionary Grant	16.585	53,971	-	53,971
Project Safe Neighborhoods	16.609	499,416	-	499,416
Public Safety Partnership and Community Policing Grants	16.710	399,924	-	399,924
ARRA-NCDJJD-Com. Based Youth Gang Prevention	ARRA 16.803	67,430	-	67,430
ARRA-Edward Byrne Memorial Formula Grant Program	ARRA 16.804	191	-	191
Edward Byrne Memorial Formula Grant Program	16.738	207,369	-	207,369
Total U.S. Department of Justice		1,803,918	-	1,803,918
U.S. Department of Homeland Security:				
Office of Domestic Preparedness				
Passed-through the N.C. Department of Public Safety				
Homeland Security Grant Program	97.067	356,815	-	356,815
FEMA	97.FEMA	469,687	-	469,687
State Homeland Security Program (SHSP)	97.073	1,609	-	1,609
Buffer Zone Protection Program (BZPP)	97.078	259,871	-	259,871
Total U.S. Department of Homeland Security		1,087,982	-	1,087,982

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2012

<u>Grantor/Pass-Through Grantor/Program Titles</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Federal</u>	<u>State</u>	
U.S. Department of Housing and Urban Development:				
Shelter Plus Care	14.238	1,259,416	-	1,259,416
Community Developmental Block Grants/Entitlement Grants	14.218	1,116,431	-	1,116,431
Supportive Housing Program	14.235	398,064	-	398,064
HOME Investment Partnership Program	14.239	764,212	-	764,212
Housing Opportunity for Persons with Aids - HOPWA	14.241	633,458	-	633,458
ARRA - Homeless Prevention	ARRA 14.257	74,438	-	74,438
Historic Preservation Grant	15.904	6,650	-	6,650
Passed-through the City of Raleigh:				
Emergency Shelter Grants Program	14.231	148,504	-	148,504
Total U.S. Department of Housing and Urban Development		4,401,173	-	4,401,173
U.S. Department of Labor				
Passed-through the N.C. Department of Economic and Community Development, Job Training Partnership Act:				
Workforce Investment Act Cluster:				
Workforce Investment Act-Adult Program	17.258	1,448,774	-	1,448,774
WIA National Emergency Grants	17.277	6,054	-	6,054
Workforce Investment Act-Youth Activities	17.259	2,093,381	-	2,093,381
Workforce Investment Act-Dislocated Workers	17.260	2,002,343	-	2,002,343
Total WIA Cluster		5,550,552	-	5,550,552
 Incentive Grants - WIA Section 503	 17.267	 1,172,813	 -	 1,172,813
Total WIA Incentives and Administrative		1,172,813	-	1,172,813
Total U.S. Department of Labor		6,723,365	-	6,723,365
U.S. Department of Energy				
Energy Efficiency & Conservation Block Grant Program				
ARRA-Hammond Detention Site Phase II	ARRA 81.128	240,655	-	240,655
Total U.S. Department of Energy		240,655	-	240,655
Federal Highway Administration				
Passed-through the N.C. Department of Transportation:				
JARC Grant	20.507	96,000	-	96,000
Total U.S. Department of Transportation		96,000	-	96,000
U.S. Environmental Protection Agency:				
Watershed Management Program	66.202	227,185	-	227,185
Total U.S. Environmental Protection Agency		227,185	-	227,185
U.S. Corporation for National and Community Services				
Passed through N.C. Office of Volunteerism and Community Services				
Ameri Corps	94.006	213,961	-	213,961
Total U.S. Corporation for National and Community Services		213,961	-	213,961
Total Federal Awards		462,624,742	-	682,840,996

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2012

<u>Grantor/Pass-Through Grantor/Program Titles</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>	
		<u>Federal</u>	<u>State</u>
State Awards:			
N.C. Department of Cultural Resources:			
Division of State Library:			
State Aid to Libraries		-	548,324
			548,324
N.C. Department of Health and Human Services:			
Division of Public Health:			
General		-	339,470
Communicable Disease - HIV/HBV		-	52,158
Tuberculosis Control		-	102,871
HIV Preventative Training		-	207,657
Risk Reduction/Health Promotion		-	7,581
Environmental Health		-	5,872
Total Division of Health		-	715,609
			715,609
Division Of Mental Health, Developmental Disabilities and Substance Abuse Services:			
Systems Management Transition		-	7,724,792
Multidisciplinary Evaluation		-	2,500
Single Stream Funding			14,012,955
Supported Employment Grant			38,634
Long Term Vocation Support		-	285,162
Total Division of Mental Health, Developmental Disabilities and Substance Abuse Services:		-	22,064,043
			22,064,043
Division Of Vocational Rehabilitation:			
Supported Employment Grant		-	27,745
			27,745
Division of Social Services:			
Energy Assistance Private Grants		-	395,086
Adult Protective Services			
Direct Benefit Payments:			
State/County Special Assistance for Adults		-	3,980,638
State Foster Home		-	602,841
State Foster Home Maximization		-	346,988
Foster Care at Risk Maximization		-	3,620
Total Division of Social Services		-	5,329,173
			5,329,173
Division of Child Development:			
Passed-through the Wake County Smart Start, Inc.:			
North Carolina Smart Start		-	403,648
			403,648
Division of Resource Management:			
NC FAST		-	58,583
			58,583
Total N.C. Department of Health and Human Services		-	28,598,801
			28,598,801
N.C. Department of Transportation, Public Transportation Division:			
Rural Operating Assistance Program (ROAP) - Cluster			
Elderly and Disabled Transportation Assistance Program (EDTAP)		-	275,664
Rural General Public Program (RGP)		-	236,198
Work First/Employment Transportation Operating Assistance		-	202,340
Total Rural Operating Assistance Program (ROAP) Cluster		-	714,202
			714,202
Human Services Transportation Management Program		-	887,430
Traveler's Aid		-	7,500
Total N.C. Department of Transportation		-	1,609,132
			1,609,132

WAKE COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2012

<u>Grantor/Pass-Through Grantor/Program Titles</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>		<u>Total</u>
		<u>Federal</u>	<u>State</u>	
N.C. Department of Public Safety				
Criminal Justice Partnership Program		-	471,014	471,014
N.C. Department of Environment				
Clean Water Management Trust Fund (1)		-	-	-
Environment Health Food & Lodging		-	68,480	68,480
Total N.C. Department of Environment		<u>-</u>	<u>68,480</u>	<u>68,480</u>
N.C. Department of Administration:				
Veterans Services Program		-	1,452	1,452
N.C. Department of Public Safety				
Juvenile Crime Prevention Council Program		-	1,171,635	1,171,635
Community Detention Program		-	104,300	104,300
Total N.C. Department of Public Safety		<u>-</u>	<u>1,275,935</u>	<u>1,275,935</u>
Total State Awards		<u>-</u>	<u>32,573,137</u>	<u>32,573,137</u>
Total Federal and State Awards		<u>\$ 462,624,742</u>	<u>\$ 252,927,530</u>	<u>\$ 715,552,272</u>

(1) During FY 2012, the County received \$1,180,000 from the Clean Water Management Trust Fund. This was to reimburse costs the County expended in Fiscal Year 2009 for a purchase of land.

WAKE COUNTY, NORTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

General – The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and State financial award programs of Wake County, North Carolina (the “County”). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements. Benefit payments are paid directly to recipients and are not included in the County’s financial statements. However, due to the County’s involvement in determining eligibility, they are considered federal and State awards to the County and are included on this schedule.

- A. Basis of Accounting – The accompanying Schedule of Expenditures of Federal and State Awards is prepared on the modified accrual basis of accounting.
- B. Major Programs – Cluster programs are considered as one program for determining major programs in accordance with OMB Circular A-133 and the State Single Audit Implementation Act. Also, the federal and State portions of the cluster programs is included when identifying major programs for calculating the percentage of coverage of federal and State awards expended.
- C. Relationship to federal and State Financial Reports – Amounts reported in the accompanying schedule agree with the amounts reported in the related federal and State financial reports except in cases where those reports are filed on a basis other than the modified accrual basis of accounting.
- D. Prior Year Expenditures – Where allowed by grant agreement, prior year expenditures that have not been previously tested may be included in the Schedule of Awards at June 30, 2012. Generally this occurs when grants are awarded after the related project or program has started incurring expenses and retroactive reimbursement is allowed per the funding agreement or when corrections are made due to previous year(s) omissions.

WAKE COUNTY, NORTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2012

Subrecipients

During the fiscal year ended June 30, 2012, the County provided the federal and State awards to subrecipients as follows:

Program Titles	Federal CFDA #	Expenditures	
		Federal	State
Passed through N.C. Department of Health and Human Services:			
Block Grant for Community Mental Health Services	93.958	\$ 165,878	\$ -
Block Grant for Prevention and Treatment of Substance Abuse	93.959	648,182	-
Single Stream Funding		-	1,371,086
Workfirst Investment Act Cluster			
Passed-through the N.C. Department of Economic and Community Development, Job Training Partnership Act:			
Workforce Investment Act - Adult Program	17.258	1,199,772	-
Workforce Investment Act - Youth Activities	17.259	1,538,671	-
Workforce Investment Act - Dislocated Workers	17.260	1,967,212	-
N.C. Department of Transportation, Public Transportation Division:			
Elderly and Disabled Transportation Assistance Program (EDTAP)		-	153,891
Passed through the N.C. Department of Public Safety:			
Criminal Justice Partnership Program		-	471,014
N.C. Department of Public Safety:			
Edward Byrne Memorial Formula Grant Program	16.738	95,649	-
N.C. Department of Public Safety:			
Juvenile Crime Prevention Council Program		-	1,171,635
TOTAL AWARDS TO SUBRECIPIENTS		\$ 5,615,364	\$ 3,167,626