

**Polk County  
North Carolina**

**Compliance Report**

**June 30, 2016**

**POLK COUNTY, NORTH CAROLINA**

*COMPLIANCE REPORT*

June 30, 2016

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**Independent Auditors' Report On Compliance For Each Major Federal Program And  
On Internal Control Over Compliance Required By The Uniform Guidance  
And The State Single Audit Implementation Act**

To the Board of Commissioners  
Polk County, North Carolina

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

We have audited the County of Polk, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Polk County's major federal programs for the year ended June 30, 2016. Polk 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Polk County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Polk County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, Polk 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, 2016.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

Polk County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Polk 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 Polk County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Polk County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Polk 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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, and therefore, significant deficiencies or material weaknesses may exist that were not identified. We identified certain deficiencies in internal control over compliance, as summarized in the accompanying schedule of findings and questioned costs as item 2016-002 that we consider to be a material weakness.

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

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and the State Single Audit Implementation Act**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Polk County's basic financial statements (not presented herein). We issued our report thereon dated October 12, 2016, which contained unmodified opinions on those financial statements. Our audit

was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polk County's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 12, 2016.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements 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.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina

November 9, 2016

(except as related to the Report on the Schedule  
of Expenditures of Federal and State Awards,  
as to which the date is October 12, 2016)

**POLK COUNTY, NORTH CAROLINA**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

For the year ended June 30, 2016

**Summary of Auditor's Results**

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

The following were tested as major federal programs of Polk County:

<u>Program Name</u>	<u>CFDA #</u>
Medicaid Cluster	93.778, 93.777, 93.775

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Polk County qualified as low-risk auditee?  yes  no

**POLK COUNTY, NORTH CAROLINA**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

For the year ended June 30, 2016

**Federal Award Findings and Questioned Costs**

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services – Division of Social Services

Program Name: Medicaid Cluster

CFDA # 93.778

Grant Number: None

**Finding: 2016-001**

NONCOMPLIANCE

Documentation retention of recipient eligibility determination

Criteria: To determine eligibility for Medicaid recipients, certain documentation is required to be obtained and retained.

Condition: Documentation supporting the real property/possession check was not on file for two separate cases. Also, an online verification and budget was not found on file for another case.

Questioned Costs: \$38,406

Context: We tested a sample of 60 cases from the State's XPRT reporting system for Medicaid recipients whose eligibility was determined using the non-MAGI method. As such the questioned are the sum of the two cases noted above that apply to the recertification for which the eligibility is in question.

Effect: It is undetermined whether the recipients were truly eligible to receive the benefits for the recertification periods in question.

Cause: Failure on part of the case worker to retain relevant documentation in the case file. The County's case files are inconsistently retained in paper and electronic formats.

Recommendation: The County should continue to review its procedures and required documentation with staff. Additional training and supervisory review should help mitigate this risk in the future.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will continue to closely monitor the eligibility and recertification records to ensure all files contain proper documentation. The agency has reorganized responsibilities within the Adult Medicaid Unit and updated position descriptions reflecting increased monitoring duties of the Income Maintenance Caseworker III staff. Subsequent checks made by the agency determined that recipient eligibility was not affected by the lack of documentation.

**POLK COUNTY, NORTH CAROLINA**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

For the year ended June 30, 2016

**Finding: 2016-002**

**MATERIAL WEAKNESS**

Review and supervision of eligibility determination

Criteria: The County should have an internal system of review for eligibility determination (and redetermination) in order to ensure that sufficient documentation is retained in the case file so that the issuance of recipient benefits can be justified.

Condition: Documentation supporting the real property/possession check was not on file for two separate cases. Also, an online verification and budget was not found on file for another case. These items were not discovered during the County's internal review process.

Context: We tested a sample of 60 cases from the State's XPRT reporting system for Medicaid recipients whose eligibility was determined using the non-MAGI method. As such the questioned are the sum of the two cases noted above that apply to the recertification for which the eligibility is in question.

Effect: It is undetermined whether the recipients were truly eligible to receive the benefits for the recertification periods in question.

Cause: The caseworker did not retain the appropriate documentation on three of the sixty cases tested. Accordingly, the County's system of review did not detect these errors in a timely manner.

Recommendation: The County should strengthen its review process to ensure that the appropriate documentation is being observed and retained. In addition, the County should provide additional training to caseworkers regarding the importance of proper documentation to support eligibility determinations.

Views of responsible officials and planned corrective actions: The County agrees with the finding and will continue to closely monitor the eligibility and recertification records to ensure all files contain proper documentation. At the time these cases were processed, the County did not have adequate supervisory coverage due to staffing shortages. In addition, the transition and conversion of cases to NC FAST created many challenges for the County's staff. After the time these cases were processed, the agency acquired an additional Economic Supervisor position to assist in supervisory and monitoring tasks.



**POLK COUNTY, NORTH CAROLINA**

*SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS*

For the year ended June 30, 2016

There were no findings reported in the prior year.

**Polk County, North Carolina**

*Schedule of Expenditures of Federal and State Awards*  
For the year ended June 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<b>Federal Awards:</b>				
<u>U.S. Department of Agriculture</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
<u>SNAP Cluster:</u>				
Administration:				
Food Stamp Administration	10.561		\$ 113,027	\$ (67)
Food Stamp Fraud	10.561		264	-
Total SNAP Cluster			<u>113,291</u>	<u>(67)</u>
Division of Public Health:				
Direct Benefit Payments:				
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		155,739	-
Total U.S. Department of Agriculture			<u>269,030</u>	<u>(67)</u>
<u>U.S. Department of Housing and Urban Development (HUD)</u>				
Passed-through N.C. Dept. of Commerce:				
CDBG - State - Scattered Site Housing Project	14.228	11-C-2323	973	-
CDBG - State - Tryon Equestrian Properties Water Project	14.228	13-E-2614	3,761	-
Total HUD			<u>4,734</u>	<u>-</u>
<u>U.S. Department of Transportation (DOT)</u>				
Federal Transit Administration:				
Passed-through the N.C. Dept. of Transportation:				
Rural Area Program:				
Administration	20.509	36233.83.16.1	72,289	4,518
Capital	20.509	36233.83.16.3	177,864	22,234
<u>Transit Services Program Cluster</u>				
Enhanced Mobility of Seniors and Individuals with Disa	20.513	51001.94.1.2	25,374	-
Total DOT			<u>275,527</u>	<u>26,752</u>
<u>Institute of Museum and Library Services (IMLS)</u>				
Library Services Technology Act (LSTA)	45.310		21,377	-
Total IMLS			<u>21,377</u>	<u>-</u>

**Polk County, North Carolina**

*Schedule of Expenditures of Federal and State Awards*  
For the year ended June 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<u>U.S. Department of Health and Human Services (DHHS)</u>				
<u>Office of the Population Affairs</u>				
Passed-through Isothermal Planning and Development Commission:				
Aging Cluster:				
Special Programs for the Aging - Title III B - Grants for Supportive Services and Senior Centers	93.044	DOA-735	39,553	59,329
Special Programs for the Aging - Title III C - Nutrition Services	93.045	DOA-735	34,605	51,907
Nutrition Services Incentive Program	93.053	DOA-735	27,110	3,799
Total Aging Cluster			<u>101,268</u>	<u>115,035</u>
 <u>U.S. Department of Health and Human Services (DHHS)</u>				
Administration for Children and Families:				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Foster Care and Adoption (Note 3):				
Administration:				
Foster Care	93.658		41,007	-
Title IV-E CPS	93.658		19,089	7,428
Title IV-E Foster Care	93.658		332	-
Title IV-E Foster Care Trn	93.658		1,312	-
Title IV-E Foster Care/Off Trn	93.658		59,616	-
Title IV-E Adoption Training	93.659		1,720	-
Title IV-E Adoption/Off Trn	93.659		2,160	-
Title IV-E Optional Adopt Trn 5	93.659		1,006	-
Title IV-E Admin County Paid	93.659		16	8
Direct Benefit Payments:				
Title IV-E Adoption Subsidy & Vendor	93.659		157,540	40,255
Title IV-E Foster Care	93.658		25,933	6,630
Title IV-E Foster Care in Excess	93.658		56,808	14,538
Title IV-E Max Level III	93.658		2,566	-
Total Foster Care and Adoption (Note 3)			<u>369,105</u>	<u>68,859</u>

**Polk County, North Carolina**

*Schedule of Expenditures of Federal and State Awards*  
For the year ended June 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
Family Preservation	93.556		7,542	-
Refugee Assistance Administration	93.556		187	-
<u>TANF Cluster</u>				
TANF/Work First Administration	93.558		20,416	-
TANF/Work First Service	93.558		65,803	-
TANF Payments & Penalties	93.558		122,197	-
Total TANF Cluster			208,416	-
AFDC Payments & Penalties	93.560		(73)	(10)
IV-D Offset-ESC	93.563		5	-
IV-D Offset-Fed	93.563		246	-
IV-D Administration	93.563		61,456	-
Low-Income Home Energy Assistance Block Grant:				
Administration	93.568		67,617	-
Crisis Intervention Program	93.568		71,471	-
Low Income Energy Assistance	93.568		10,890	-
Permanency Planning Svc & Admin	93.645		5,300	-
Adult Day Care	93.667		525	-
Adult Day Care Over 60	93.667		984	405
Adult Protective Service	93.667		13,226	-
In Home Services	93.667		66	-
In Home Services Over 60	93.667		129	-
CPS TANF to SSBG	93.667		77,344	-
Social Service Block Grant	93.667		60,314	6,007
LINKS	93.674		10,804	2,449
 <u>U.S. Department of Health and Human Services (DHHS)</u>				
Administration for Children and Families:				
Passed-through the N.C. Dept. of Health and Human Services:				
Subsidized Child Care Cluster (Note 3):				
Child Care Development Fund Cluster:				
Division of Social Services:				
Child Care Development Fund-Administration	93.596		79,599	-
Division of Child Development:				
Child Care and Development Fund -- Discretionary	93.575		209,147	-
Child Care and Development Fund -- Mandatory	93.596		61,220	-
Child Care and Development Fund -- Match	93.596		64,597	22,298
Total Child Care Development Fund Cluster			414,563	22,298

**Polk County, North Carolina**

*Schedule of Expenditures of Federal and State Awards*  
For the year ended June 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
Temporary Assistance for Needy Families (TANF)	93.558		52,367	-
Foster Care Title IV-E	93.658		3,797	1,948
State Appropriations	-		-	34,226
TANF-MOE	-		-	29,380
Total Subsidized Child Care (Note 3)			<u>470,727</u>	<u>87,852</u>
 Centers for Medicare and Medicaid Services:				
Passed-through the N.C. Dept. of Health and Human Services:				
<u>Medicaid Cluster</u>				
Division of Medical Assistance:				
Direct Benefit Payments:				
Medical Assistance Program	93.778		15,173,173	8,250,131
Division of Social Services:				
Administration:				
Medical Assistance Program	93.778		499,202	980
Total Medicaid Cluster			<u>15,672,375</u>	<u>8,251,111</u>
 Division of Medical Assistance:				
State Children's Insurance Program:				
N.C. Health Choice	93.767		469,882	29,371
Division of Social Services:				
Administration:				
State Children's Insurance Program:				
N.C. Health Choice	93.767		23,852	(163)
Total DHHS			<u>17,703,658</u>	<u>8,560,916</u>
 <u>U. S. Department of Homeland Security</u>				
Passed-through N.C. Dept. of Crime Control and Public Safety:				
Division of Emergency Management:				
Emergency Management Assistance	97.042		38,542	-
Total Federal awards			<u>18,312,868</u>	<u>8,587,601</u>
 <b>State Awards:</b>				
<u>N.C. Dept. of Cultural and Natural Resources</u>				
Division of State Library				
Library Services			-	78,255
Total N.C. Dept. of Cultural Resources			<u>-</u>	<u>78,255</u>

**Polk County, North Carolina**

*Schedule of Expenditures of Federal and State Awards*  
For the year ended June 30, 2016

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<u>N.C. Dept. of Health and Human Services (NCDHHS)</u>				
Division of Social Services:				
Administration:				
State Child Welfare/CPS			-	18,387
Direct Benefits:				
SC/SA Domiciliary Care			-	122,369
State Foster Home			-	51,695
Foster Care At Risk Max			-	3,183
CWS Adoption Subsidy & Vendor			-	131,764
SFHF Maximization			-	122,082
Total Division of Social Services			<u>-</u>	<u>449,480</u>
 Total NCDHHS			 <u>-</u>	 <u>449,480</u>
 <u>N.C. Dept. of Juvenile Justice and Delinquency Prevention</u>				
Juvenile Crime Prevention Programs			<u>-</u>	<u>66,786</u>
 <u>N.C. Dept. of Public Instruction (NCDPI)</u>				
Public School Building Capital Fund:				
Lottery Proceeds			<u>-</u>	<u>95,705</u>
Total NCDPI			<u>-</u>	<u>95,705</u>
 <u>N.C. Dept. of Commerce</u>				
Rural Economic Development Division:				
Underserved and Limited Resource Communities	2015-072-2589-1534		<u>-</u>	<u>17,239</u>
 <u>N.C. Dept. of Transportation (NCDOT)</u>				
Rural Operating Assistance Program (ROAP):				
ROAP Elderly and Disabled Transportation Assistance				
Program		DOT-16CL	-	48,906
ROAP Rural General Public Program		DOT-16CL	-	49,843
ROAP Work First Transitional - Employment		DOT-16CL	<u>-</u>	<u>6,698</u>
Total ROAP			<u>-</u>	<u>105,447</u>
Total NCDOT			<u>-</u>	<u>105,447</u>
 Total State awards			 <u>-</u>	 <u>812,912</u>
 Total Federal and State awards			 <u>\$ 18,312,868</u>	 <u>\$ 9,400,513</u>

**Polk County, North Carolina**

*Schedule of Expenditures of Federal and State Awards*  
For the year ended June 30, 2016

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

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**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of Polk County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Polk County, it is not intended to and does not present the financial position, changes in net position or cash flows of Polk County.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Polk County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Cluster of Programs**

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

- Subsidized Child Care
- Foster Care and Adoption