

**PAMLICO COUNTY  
NORTH CAROLINA**

**COMPLIANCE LETTERS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**MARTIN ♦ STARNES  
& ASSOCIATES, CPAs, P.A.**

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

# PAMLICO COUNTY, NORTH CAROLINA

## COMPLIANCE LETTERS FOR THE YEAR ENDED JUNE 30, 2014

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# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

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

### **Independent Auditor's Report**

To the Board of Commissioners  
Pamlico County  
Bayboro, 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 Pamlico County, North Carolina, as of and for the year ended June 30, 2014, not presented here, and the related notes to the financial statements, which collectively comprise Pamlico County's basic financial statements, and have issued our report thereon dated February 20, 2015. The financial statements of the Pamlico County ABC Board were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pamlico 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 Pamlico County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the proceeding paragraph 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, Responses, and Questioned Costs we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies 2014-001, 2014-002, 2014-003, 2014-004, and 2014-005 described in the accompanying Schedule of Findings, Responses, and Questioned Costs to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pamlico 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2014-004.

## **Pamlico County's Responses to Findings**

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

## **Purpose of This Report**

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
February 20, 2015

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## **Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133; And the State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Board of Commissioners  
Pamlico County  
Bayboro, North Carolina

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

We have audited Pamlico County, North Carolina, 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 Pamlico County's major federal programs for the year ended June 30, 2014. Pamlico County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Reponses, and Questioned Costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Pamlico 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 non-compliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pamlico 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 Pamlico County's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, Pamlico 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, 2014.

## **Report on Internal Control Over Compliance**

Management of Pamlico 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 Pamlico 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

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

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

We have audited the basic 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 Pamlico County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated February 20, 2015, 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 Pamlico County's basic financial statements.

The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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 basic financial statements taken as a whole.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
February 20, 2015

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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## **Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; Report On The Schedule Of Federal And State Awards Required by OMB OMB Circular A-133; And The State Single Audit Implementation Act**

### **Independent Auditor's Report**

To the Board of Commissioners  
Pamlico County  
Bayboro, North Carolina

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

We have audited Pamlico County, North Carolina, 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 Pamlico County's major State programs for the year ended June 30, 2014. Pamlico County's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, 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 Pamlico 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Pamlico 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 Pamlico County's compliance with those requirements.

## **Opinion on Each Major State Program**

In our opinion, Pamlico County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

Management of Pamlico 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 Pamlico County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

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

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

We have audited the basic 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 Pamlico County, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Pamlico County's basic financial statements. We have issued our report thereon dated February 20, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Pamlico County's basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required

part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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 basic financial statements taken as a whole.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, NC  
February 20, 2015

# PAMLICO COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

### 1. Summary of Auditors' Results

#### Financial Statements

|  |              |     |                            |
|--|--------------|-----|----------------------------|
| Type of auditor's report issued:   | Unmodified   |     |                            |
| Internal control over financial reporting:   |              |     |                            |
| • Material weakness(es) identified?  | <u>  X  </u> | Yes | _____ No                   |
| • Significant deficiency identified that are not considered to be material weaknesses? | _____        | Yes | <u>  X  </u> None reported |
| Non-compliance material to financial statements noted?                                 | <u>  X  </u> | Yes | _____ No                   |

#### Federal Awards

|  |            |     |                            |
|--|------------|-----|----------------------------|
| Internal control over major Federal programs:  |            |     |                            |
| • Material weakness(es) identified?  | _____      | Yes | <u>  X  </u> No            |
| • Significant deficiency identified that are not considered to be material weaknesses?                             | _____      | Yes | <u>  X  </u> None reported |
| Type of auditor's report issued on compliance for major Federal programs   | Unmodified |     |                            |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | _____      | Yes | <u>  X  </u> No            |

Identification of major federal programs:

| <u>Program Name</u>                    | <u>CFDA#</u>           |
|--|------------------------|
| Medicaid Cluster                       | 93.778, 93.775, 93.777 |
| Hazard Mitigation Grant                | 97.039                 |
| CDBG – State-Administered CDBG Cluster | 14.228                 |

|  |                  |
|--|------------------|
| Dollar threshold used to distinguish between Type A and Type B Programs: | <u>\$445,372</u> |
|--|------------------|

|  |       |     |              |    |
|--|-------|-----|--------------|----|
| Auditee qualified as low-risk auditee? | _____ | Yes | <u>  X  </u> | No |
|--|-------|-----|--------------|----|

**PAMLICO COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

**State Awards**

Internal control over major State programs:

- Material weakness(es) identified?                    \_\_\_\_\_ Yes      X   No
- Significant deficiency identified that are not considered to be material weaknesses?                    \_\_\_\_\_ Yes      X   None reported

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

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act?                    \_\_\_\_\_ Yes      X   No

Identification of major State programs:

**Program Name** \_\_\_\_\_  
Medicaid Cluster  
NC Eastern Region

# PAMLICO COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

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

#### **Finding 2014-001**

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

**Condition:** Financial reporting under the accounting standards promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standards Board requires a level of technical expertise not possessed by County personnel.

**Context:** While conducting our audit, it was noted that County personnel cannot prepare full disclosure financial statements in accordance with generally accepted accounting principles.

**Cause:** The cost/benefit of hiring additional staff to comply with the financial reporting requirements discussed above is cost prohibitive.

**Effect:** The County requires assistance from the external auditor to prepare the financial statements.

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

**Name of Contact Person:** Bill Fentress, Finance Officer

**Corrective Action/Management Response:** Management concurs with the finding. Management will exercise due care in reviewing the financial statements drafted by the external auditor, as the County is responsible for the accuracy of the audited financial statements.

# PAMLICO COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

### **Finding 2014-002**

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

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

**Context:** Significant audit adjustments were required to report the County's financial statements in accordance with Generally Accepted Accounting Principles.

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

**Effect:** Material misstatements of the financial statements could result.

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

**Name of Contact Person:** Bill Fentress, Finance Officer

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

# PAMLICO COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

### **Finding 2014-003**

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

**Condition:** Due to the limited number of personnel in the County's office and turnover of key positions in the current year, there are inherent limitations to segregation of duties among County personnel.

**Context:** During the current year, we noted turnover of key positions and limited personnel were left to perform functions previously performed by key employees. While documenting internal controls relating to the general ledger and journal entries, we noted that accounting personnel have the ability to initiate and post journal entries in the financial accounting system without a secondary review.

**Cause:** There are a limited number of personnel for certain internal control functions, such as journal entry processes. There was also turnover of key positions in the current year.

**Effect:** Adjustments could be made without oversight.

**Recommendation:** Access to the books and records of the County should be separated from access to the assets of the County as much as possible. Alternative controls should be used to compensate for any lack of segregation of duties.

**Name of Contact Person:** Bill Fentress, Finance Officer

**Corrective Action:** Management is aware of the weakness, and internal controls will be added to ensure proper segregation of duties.

# PAMLICO COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

### **Finding 2014-004**

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

**Condition:** In the current year, there were violations of the NC General Statute 159-8(a) with regard to expenditures exceeding appropriations and, therefore, a failure in the pre-audit requirement. Several funds were also operating in a deficit. A detailed note on the excess of expenditures over appropriations and deficit fund balances is found in the notes to the financial statements.

**Context:** Lack of budgetary control.

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

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

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

**Name of Contact Person:** Bill Fentress, Finance Officer

**Management's Response/Corrective Action:** Management concurs and the Board will more closely review the budget reports to ensure compliance in future years. Management has noted that some of the expenditures which exceeded appropriations were a result of assets donated to the County. Management will more closely monitor necessary adjustments to the budget to reflect donations in future years. Management will also transfer budgeted funds to cover the deficit balances.

# PAMLICO COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

### **Finding 2014-005**

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

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

**Context:** Turnover in key positions in the Finance department caused delays in account reconciliations. The County's annual financial statements are not available in a timely manner for internal use and are materially past due to outside reporting agencies.

**Cause:** Turnover in key positions in the Finance and Administration departments caused delays in reconciling account information and preparing for the annual audit and preparation of the financial statements.

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

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

**Name of Contact Person:** Bill Fentress, Finance Officer

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

**PAMLICO COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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

None

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

None

**PAMLICO COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**2013-001** – Repeated as Finding 2014-001

**2013-002** – Repeated as Finding 2014-002

**2013-003** – Modified and repeated as Finding 2014-004

## PAMLICO COUNTY, NORTH CAROLINA

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

| <u>Grantor / Pass-through Grantor / Program Title</u>   | <u>CFDA<br/>Number</u> | <u>Expenditures</u> |              |
|---|------------------------|---------------------|--------------|
|   |                        | <u>Federal</u>      | <u>State</u> |
| <b>Federal Awards:</b>  |                        |                     |              |
| <b>U.S. Department of Health and Human Services:</b>  |                        |                     |              |
| <b><u>Administration for Children and Families:</u></b>   |                        |                     |              |
| <b>Division of Social Services:</b>   |                        |                     |              |
| Child Support Enforcement   | 93.563                 | 154,111             | -            |
| Temporary Assistance for Needy Families Cluster:  |                        |                     |              |
| Administration  | 93.558                 | 128,069             | -            |
| Direct Benefit Payment  | 93.558                 | 51,292              | 7,200        |
| Total Temporary Assistance for Needy Families Cluster   |                        | 179,361             | 7,200        |
| Foster Care and Adoption Cluster (Note 2):  |                        |                     |              |
| Title IV-E Foster Care:   |                        |                     |              |
| Administration  | 93.658                 | 103,682             | 10,428       |
| Direct Benefit Payments   | 93.658                 | 9,365               | 3,436        |
| Adoption Assistance Program:  |                        |                     |              |
| Administration  | 93.659                 | 2,488               | -            |
| Direct Benefit Payments   | 93.659                 | 31,700              | 8,344        |
| Total Foster Care and Adoption Cluster  |                        | 147,235             | 22,208       |
| Low-Income Home Energy Assistance Block Grant:  |                        |                     |              |
| Administration  | 93.568                 | 130,222             | -            |
| Total Low-Income Home Energy Assistance Block Grant   |                        | 130,222             | -            |
| Chafee Foster Care Independence Program   | 93.674                 | (411)               | (103)        |
| Social Services Block Grant   | 93.667                 | 51,111              | 5,658        |
| Promoting Safe and Stable Families  | 93.556                 | 1,221               | -            |
| Stephanie Tubbs Jones Child Welfare Services Program  | 93.645                 | 16,327              | -            |
| Subtotal  |                        | 68,248              | 5,555        |
| <b>Subsidized Child Care (Note 2)</b>   |                        |                     |              |
| Child Care Development Fund Cluster:  |                        |                     |              |
| <b>Division of Social Services:</b>   |                        |                     |              |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Administration | 93.596                 | 81,965              | -            |
| <b>Division of Child Development:</b>   |                        |                     |              |
| Child Care and Development Block Grant  | 93.575                 | 180,880             | -            |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Mandatory      | 93.596                 | 109,358             | -            |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Match          | 93.596                 | 59,990              | 18,673       |
| Total Child Care Development Fund Cluster   |                        | 432,193             | 18,673       |
| Temporary Assistance for Needy Families   | 93.558                 | 102,707             | -            |
| Foster Care Title IV-E  | 93.658                 | 5,737               | 2,999        |
| State Appropriations  |                        | -                   | 63,185       |
| TANF - MOE  |                        | -                   | 48,416       |
| Total Subsidized Childcare Cluster  |                        | 540,637             | 133,273      |

## PAMLICO COUNTY, NORTH CAROLINA

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

| Grantor / Pass-through Grantor / Program Title   | CFDA<br>Number | Expenditures |           |
|--|----------------|--------------|-----------|
|  |                | Federal      | State     |
| <b>U.S. Department of Agriculture:</b>   |                |              |           |
| Passed-through N.C. Department of Health & Human Services  |                |              |           |
| <b>Division of Public Health:</b>  |                |              |           |
| Special Supplemental Nutrition Program for<br>Women, Infants, and Children - Administration  | 10.557         | 71,280       | -         |
| Special Supplemental Nutrition Program for<br>Women, Infants, and Children - Direct Benefits   | 10.557         | 228,659      | -         |
| Total Division of Public Health  |                | 299,939      | -         |
| <b>Health Care Financing Administration:</b>   |                |              |           |
| Passed-through the N.C. Department of Health and Human Services  |                |              |           |
| <b>Division of Medical Assistance:</b>   |                |              |           |
| Medicaid Cluster:  |                |              |           |
| Direct Benefit Payments:   |                |              |           |
| Medical Assistance Program   | 93.778         | 10,306,491   | 5,766,180 |
| Division of Social Services:   |                |              |           |
| Administration:  |                |              |           |
| Medical Assistance Program   | 93.778         | 344,593      | 10,701    |
| Total Medicaid Cluster   |                | 10,651,084   | 5,776,881 |
| State Insurance Program - N.C. Health Choice   |                |              |           |
| Administration   | 93.767         | 12,235       | 645       |
| Direct Benefit Payments  | 93.767         | 258,246      | 81,467    |
| Total Centers for Medicare and Medicaid Services   |                | 10,921,565   | 5,858,993 |
| <b>U.S. Department of Agriculture:</b>   |                |              |           |
| Passed-through N.C. Department of Health & Human Services  |                |              |           |
| <b>Division of Social Services:</b>  |                |              |           |
| Supplemental Nutrition Assistance Program Cluster:   |                |              |           |
| Administration:  |                |              |           |
| State Administrative Matching Grants for the<br>Supplemental Nutrition Assistance Program  | 10.561         | 182,706      | -         |
| Total Supplemental Nutrition Assistance Program Cluster  |                | 182,706      | -         |
| <b>U.S. Department of Health and Human Services:</b>   |                |              |           |
| Centers for Disease Control and Prevention   |                |              |           |
| Passed through NC Dept. of Health and Human Services   |                |              |           |
| Division of Public Health:   |                |              |           |
| Public Health Emergency Preparedness   | 93.069         | 29,948       | -         |
| Immunization Cooperative Agreements  | 93.268         | 5,278        | -         |
| Community Transformation Grants- Small Communities   | 93.737         | 10,000       | -         |
| Programs financed solely by Public Prevention and Health Funds   |                |              |           |
| Cooperative Agreements for State-Based Comprehensive Breast<br>and Cervical Cancer Early Detection Programs                                    | 93.919         | 8,423        | 3,825     |
| Breast and Cervical Cancer Screening Opportunities for States, Tribes<br>and Territories solely financed by Prevention and Public Health Funds | 93.744         | 309          | -         |
| Preventive Health and Health Services Block Grant  | 93.991         | 10,783       | -         |
| Total Centers for Disease Control and Prevention   |                | 64,741       | 3,825     |

## PAMLICO COUNTY, NORTH CAROLINA

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

| Grantor / Pass-through Grantor / Program Title   | CFDA<br>Number | Expenditures     |               |
|--|----------------|------------------|---------------|
|  |                | Federal          | State         |
| Administration of Children and Families<br>Passed-through N.C. Department of Health and Human Services<br>Division of Social Services: |                |                  |               |
| Social Service Block Grant   | 93.667         | -                | 500           |
| Temporary Assistance for Needy Families  | 93.558         | 1,052            | -             |
| Total Administration of Children and Families  |                | <u>1,052</u>     | <u>500</u>    |
| Health Resources and Service Administration<br>Passed through NC Dept. of Health and Human Services<br>Division of Public Health:      |                |                  |               |
| Maternal and Child Health Services Block Grant to the States   | 93.994         | 36,766           | 28,785        |
| Total Health Resources and Service Administration  |                | <u>36,766</u>    | <u>28,785</u> |
| Office of Population Affairs<br>Passed through NC Dept. of Health and Human Services<br>Office of Population Affairs                   |                |                  |               |
| Family Planning Services   | 93.217         | 22,429           | -             |
| Total Office of Population Affairs   |                | <u>22,429</u>    | <u>-</u>      |
| <b>Total U.S. Department of Health and Human Services</b>  |                | <u>124,988</u>   | <u>33,110</u> |
| <b>Division of Aging:</b>  |                |                  |               |
| Aging Cluster:   |                |                  |               |
| In-Home Services:  |                |                  |               |
| Special Programs for the Aging Title III Part B<br>Supportive Services and Senior Centers  | 93.044         | 112,077          | 19,778        |
| Congregate Nutrition:  |                |                  |               |
| Special Programs for the Aging Title III Part C<br>Nutrition Services  | 93.045         | 34,665           | 6,116         |
| Home-Delivered Meals:  |                |                  |               |
| Special Programs for the Aging Title III Part C<br>Nutrition Services  | 93.045         | 43,967           | 7,759         |
| Total Aging Cluster  |                | <u>190,709</u>   | <u>33,653</u> |
| <b>U.S. Department of Homeland Security</b>  |                |                  |               |
| Passed-through NC Department of Crime Control and Public Safety:   |                |                  |               |
| State Homeland Security Program  | 97.073         | 29,453           | -             |
| Disaster Grants - Public Assistance<br>(Presidentially Declared Disasters)   | 97.036         | 20,625           | -             |
| Division of Emergency Management:  |                |                  |               |
| Hazard Mitigation Grant  | 97.039         | 1,251,070        | -             |
| Emergency Hazardous Materials Public Sector Training<br>and Planning Grants  | 20.703         | 9,700            | -             |
| Total Department of Homeland Security  |                | <u>1,310,848</u> | <u>-</u>      |

## PAMLICO COUNTY, NORTH CAROLINA

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

| <u>Grantor / Pass-through Grantor / Program Title</u>  | <u>CFDA<br/>Number</u> | <u>Expenditures</u>  |                     |
|--|------------------------|----------------------|---------------------|
|  |                        | <u>Federal</u>       | <u>State</u>        |
| <b>U.S. Department of Housing and Urban Development:</b>                                     |                        |                      |                     |
| Passed-through N.C. Department of Commerce:  |                        |                      |                     |
| <b>Division of Community Assistance:</b>   |                        |                      |                     |
| CDBG- State-Administered CDBG Cluster:   |                        |                      |                     |
| 2010 CDBG ER Scattered Site 10-C-2156  | 14.228                 | 169,022              | -                   |
| 2102 CDBG Scattered Site Housing 12-C-2437   | 14.228                 | 9,742                | -                   |
| CDBG 9-C-2074 Community Revitalization 2009  | 14.228                 | 416,397              | -                   |
| Total U.S. Department of Housing and Urban Development                                       |                        | <u>595,161</u>       | <u>-</u>            |
| <b>Total Federal Awards</b>  |                        | <u>\$ 14,845,730</u> | <u>\$ 6,093,992</u> |
| <b>State Awards:</b>   |                        |                      |                     |
| <b>N.C. Department of Commerce:</b>  |                        |                      |                     |
| Passed-through North Carolina Rural Economic Development Center:                             |                        |                      |                     |
| Minnesott Pressure Improvement Project - Grant - FS-98433809 (Note 3)<br>(NC Drinking Water) |                        |                      | <u>\$ 346,329</u>   |
| Total N.C. Department of Commerce  |                        |                      | <u>346,329</u>      |
| <b>N.C. Department of Health and Human Services:</b>   |                        |                      |                     |
| <b>Division of Social Services:</b>  |                        |                      |                     |
| Administration   |                        |                      |                     |
| Energy Assistance-private grants   |                        |                      | 4,233               |
| AFDC Incent/Program  |                        |                      | 545                 |
| Direct Benefit Payments  |                        |                      |                     |
| CWS Adoption Subsidy   |                        |                      | 23,586              |
| F/C At Risk Maximization   |                        |                      | 356                 |
| SC/SA Domiciliary Care Payment   |                        |                      | 83,752              |
| State Foster Home  |                        |                      | <u>2,945</u>        |
| Total Division of Social Services  |                        |                      | <u>115,417</u>      |
| <b>Division of Public Health:</b>  |                        |                      |                     |
| Food and Lodging Fees  |                        |                      | 3,388               |
| Environmental Health   |                        |                      | 4,000               |
| Mosquito-Public Health Pesticide   |                        |                      | 4,184               |
| General Aid to Counties  |                        |                      | 71,701              |
| Public Health Nursing  |                        |                      | 400                 |
| General Communicable Disease Control   |                        |                      | 10,077              |
| Risk Reduction / Heath Promotion   |                        |                      | 6,286               |
| Maternal Health (HMHC)   |                        |                      | 394                 |
| WHSF   |                        |                      | 1,021               |
| Tuberculosis   |                        |                      | 2,113               |
| TB Medical Services  |                        |                      | <u>540</u>          |
| Total Division of Public Health  |                        |                      | <u>104,104</u>      |
| Total N.C. Department of Health and Human Services   |                        |                      | <u>219,521</u>      |
| <b>N.C. Department of Environmental &amp; Natural Resources:</b>                             |                        |                      |                     |
| Soil & Water Conservation  |                        |                      | 25,344              |
| NC Eastern Region  |                        |                      | <u>576,923</u>      |
| Total N.C. Department of Environmental & Natural Resources                                   |                        |                      | <u>602,267</u>      |

## PAMLICO COUNTY, NORTH CAROLINA

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

| <u>Grantor / Pass-through Grantor / Program Title</u>                  | <u>CFDA<br/>Number</u> | <u>Expenditures</u> |              |
|--|------------------------|---------------------|--------------|
|  |                        | <u>Federal</u>      | <u>State</u> |
| <b>N.C. Department of Transportation:</b>                              |                        |                     |              |
| Rural Operating Assistance Program-EDTAP                               |                        |                     | 49,982       |
| Rural Operating Assistance Program-Workfirst                           |                        |                     | 5,457        |
| Rural Operating Assistance Program-RGP                                 |                        |                     | 56,128       |
| Total N.C. Department of Transportation                                |                        |                     | 111,567      |
| <b>N.C. Department of Administration:</b>                              |                        |                     |              |
| Veterans Service Officer   |                        |                     | 1,452        |
| Total N.C. Department of Administration                                |                        |                     | 1,452        |
| <b>N.C. Department of Juvenile Justice and Delinquency Prevention:</b> |                        |                     |              |
| Juvenile Crime Prevention Program                                      |                        |                     | 61,877       |
| Total N.C. Department of Juvenile Justice and Delinquency Prevention   |                        |                     | 61,877       |
| <b>N.C. Rural Economic Development Center</b>                          |                        |                     |              |
| NC Rural Economic Development Center, Inc. 2013-205-60208-312          |                        |                     | 2,500        |
| NC Rural Economic Development Center, Inc. 2013-140-40101-102          |                        |                     | 20,000       |
| Total N.C. Rural Economic Development Center                           |                        |                     | 22,500       |
| <b>Total State Awards</b>  |                        |                     | 1,365,513    |
| <b>Total Federal and State Awards</b>                                  |                        | \$ 14,845,730       | \$ 7,459,505 |

**Notes to the Schedule of Expenditures of Federal and State Awards:****1. Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Pamlico County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

**2. The following are clustered by the NC Department of Health and Human Services and are treated separately for federal audit requirement purposes:** Subsidized Child Care and Foster Care and Adoption.**3. Loans Outstanding**

Pamlico County had the following loan balances outstanding at June 30, 2014. The amount reported as State expenditures in this schedule is equal to the current year expenditures/loan proceeds.

| <u>Program Title</u>                        | <u>Amount<br/>Outstanding</u> |
|---|-------------------------------|
| NC Drinking Water State Revolving Fund Loan | \$ 3,459,816                  |
| NC Eastern Region State Revolving Fund Loan | 576,923                       |