

**MACON COUNTY
NORTH CAROLINA**

COMPLIANCE LETTERS

FOR THE YEAR ENDED JUNE 30, 2018

MACON COUNTY, NORTH CAROLINA

COMPLIANCE LETTERS FOR THE YEAR ENDED JUNE 30, 2018

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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
Macon County
Franklin, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Macon County, North Carolina, as of and for the year ended June 30, 2018, not presented here, and the related notes to the financial statements, which collectively comprise Macon County’s basic financial statements, and have issued our report thereon dated November 13, 2018. The financial statements of the Macon County Airport Authority 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 Macon 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 Macon County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be a material weakness or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Macon 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 13, 2018

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 The Schedule of Expenditures Of Federal And State Awards Required By the Uniform Guidance And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Macon County
Franklin, North Carolina

Report On Compliance for Each Major Federal Program

We have audited Macon County, North Carolina's, 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 Macon County's major federal programs for the year ended June 30, 2018. Macon County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, 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 Macon 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Macon 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 qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of Macon County's compliance.

Basis for Qualified Opinion on CFDA#93.778 Medicaid Cluster

As described in the accompanying Schedule of Findings, Responses, and Questioned Costs, Macon County did not comply with requirements regarding CFDA# 93.778 Medicaid Cluster as described in finding number 2018-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Macon County to comply with the requirements applicable to that program.

Qualified Opinion on CFDA# 93.778 Medicaid Cluster

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraph, Macon County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Macon 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 other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs for the year ended June 30, 2018.

Other Matters

Macon County's response to the non-compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Macon 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 Macon 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 Macon 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 Macon County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2018-001 to be a material weakness.

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 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2018-002 to be a significant deficiency.

Macon County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Macon County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Macon County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Macon County's basic financials statements. We issued our report thereon dated November 13, 2018, 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 Macon 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 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.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
November 13, 2018

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 Expenditures Of Federal And State Awards Required By the Uniform Guidance And the State Single Audit Implementation Act

Independent Auditor’s Report

To the Board of Commissioners
Macon County
Franklin, North Carolina

Report On Compliance for Each Major State Program

We have audited Macon County, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Macon County's major state programs for the year ended June 30, 2018. Macon County’s major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Macon County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, 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 Macon 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 qualified and unmodified opinion on compliance for each major state program. However, our audit does not provide a legal determination of Macon County’s compliance.

Basis for Qualified Opinion on Medicaid Cluster

As described in the accompanying Schedule of Findings, Responses, and Questioned Costs, Macon County did not comply with requirements regarding the Medicaid Cluster as described in finding number 2018-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for Macon County to comply with the requirements applicable to that program.

Qualified Opinion on Medicaid Cluster

In our opinion, except for the non-compliance described in the Basis for Qualified Opinion paragraph, Macon County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major State Programs

In our opinion, Macon 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 other major state programs identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs for the year ended June 30, 2018.

Other Matters

Macon County's response to the non-compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Macon 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 Macon 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 Macon County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with 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 Macon County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2018-001, that we consider to be a material weakness.

Macon County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Macon County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report On Schedule of Expenditures of Federal and State 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Macon County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Macon County's basic financial statements. We issued our report thereon dated November 13, 2018, 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 Macon 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 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 Expenditure 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
November 13, 2018

MACON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(s) identified? None reported

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes
- Significant deficiency(s) identified? Yes

Type of auditor's report issued on compliance for major federal programs Unmodified for all major federal programs except for Medicaid Cluster, which was qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA#</u>
Medicaid Cluster	93.778
Aging Cluster	93.044, 93.045, 93.053
Airport Improvement Program	20.106
Supplemental Nutrition Assistance Program Cluster	10.561

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

Auditee qualified as low-risk auditee? No

MACON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I. Summary of Auditor's Results

State Awards

Internal control over major state programs:

- Material weakness(es) identified? Yes
- Significant deficiency(s) identified? None reported

Type of auditor's report issued on compliance for major state programs Unmodified for all major state programs except for Medicaid Cluster, which was qualified

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

Identification of major state programs:

Program Name

- Medicaid Cluster
- Aging Cluster
- School Nurse Funding Initiative
- Clean Water Management Trust Fund
- Public School Building Capital Fund

MACON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section II. Financial Statement Findings

None reported

MACON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section III. Federal Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

Grant Number: XIX-MAP18

Finding: 2018-001

Material Weakness, Material Non-Compliance

Eligibility

Criteria: In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific income standards, and documentation must be maintained to support eligibility determinations. Management should have an adequate system of internal controls procedures in place to ensure an applicant is properly determine or re-determined for benefits.

Condition: Four applicants had been terminated from SSI, but the certification periods were extended without the completion of a timely ex-parte review. The applicants continued to receive benefits during the extended period. An ex-parte review was later performed and one of the applicant was still eligible to receive Medicaid benefits, however, the other three applicants were determined to be ineligible.

Context: Of the 155,974 benefit payments (\$30,539,496 value), we examined 96 (\$24,244 value) and determined that four applicants' (4%) files lacked a timely ex parte review. Upon further review, one applicant (1%) was still eligible, however, the other three applicants (3%) were ineligible.

Effect: Applicants could receive benefits for which they are not eligible.

Cause: Caseworker did not perform a timely ex parte review for the applicants and, therefore; did not obtain sufficient documentation to determine eligibility.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2017-001.

Questioned Costs: In accordance with 2 CFR 200.516 (a)(3), auditors are required to report known questioned costs when likely questioned costs are greater than \$25,000. Even though the sample results identified only \$80.06 (federal share \$52.84 and state share \$27.22) in questioned costs, if tests were extended to the entire population, questioned costs could exceed \$25,000.

Recommendation: Caseworkers should review the status of SSI cases and ensure documentation of SSI terminations are contained in the casefile. Termination reports and NC FAST task notifications should be reviewed promptly when received to determine if the case should be re-determined or terminated.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding. Please refer to the Corrective Action Plan.

MACON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section III. Federal Award Findings and Questioned Costs

US Department of Transportation

Passed through the NC Dept. of Transportation
Program Name: Airport Improvement Program
CFDA # 20.106
Grant Number: 36237.1.15.1

Finding: 2018-002

Significant Deficiency

Cash Management

Criteria: In accordance with 2 CFR 200, management should have an adequate system of internal control procedures in place to ensure that cash management procedures are within program requirements. Management must monitor activities under federal awards to assure compliance with federal requirements.

Condition: The County did not have a system of internal controls in place to ensure cash management compliance requirements were paid to vendors within 3 business days of receipt of the NCDOT reimbursement.

Context: While performing tests of internal control over compliance on the programs listed above, we noted the above condition.

Effect: Lack of proper implementation of internal control policies greatly increases the risk of an error or irregularity going undetected and can result in non-compliance with grant requirements.

Cause: The County did not pay vendors within 3 business days of receipt of the NCDOT reimbursement.

Questioned Costs: None - all expenditures were allowable.

Recommendation: Strengthen the internal controls over cash management of grant funds to ensure requirements are met. Implement an overall review process for grant compliance.

Views of Responsible Officials and Planned Corrective Actions: Management concurs with this finding. Please refer to the Corrective Action Plan.

MACON COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section IV. State Award Findings and Questioned Costs

N.C. Department of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

Finding: 2018-001– In accordance with 42 CFR 435, documentation must be obtained as needed to determine if a recipient meets specific income standards, and documentation must be maintained to support eligibility determinations. Management should have an adequate system of internal controls procedures in place to ensure an applicant is properly determine or re-determined for benefits. See Finding 2018-001 in Section III – Federal Award Findings and Questioned Costs.

Macon County



CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

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

None reported.

3. Federal Award Findings and Questioned Costs

Finding: 2018-001

Name of Contact Person: Sheila Conley

Corrective Action/Management's Response: Management concurs and will ensure that timely SSI re-certifications are conducted. We have created a log so all SSI Terms can be logged and reviewed on a monthly basis by the Medicaid Team Lead. This will ensure that all cases are reviewed in the proper time frame.

Proposed Completion Date: 10/22/2018

Finding 2018-002

Name of Contact Person: Lori Hall

Corrective Action/Management's Response: Management concurs and will ensure that controls are in place to ensure that cash management procedures are within program requirements. When possible, we will begin paying vendors before the NCDOT reimbursement is received which will ensure compliance with the grant requirements.

Proposed Completion Date: Immediately

4. State Award Findings and Questioned Costs

Finding 2018-001

See Finding 2018-001 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

MACON COUNTY, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

Finding: **2017-001**

Status: Finding was modified and reported as a repeat finding in current year as Finding 2018-001.

Finding: **2017-002**

Status: Corrected.

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
Federal Awards					
<u>U.S. Department of Agriculture</u>					
Food and Nutrition Service:					
Passed through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Administration:					
Supplemental Nutrition Assistance Program Cluster:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	185NC406S2514	\$ 399,173	\$ -	\$ -
Total Supplemental Nutrition Assistance Program Cluster			399,173	-	-
Passed through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Administration:					
WIC Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	13A25403/5404/5405/5409/ 570A/570B/570K	215,976	-	-
Natural Resources Conservation Service:					
Passed through the N.C. Department of Environmental Quality:					
Environmental Quality Incentives Program	10.912	NRCS-EQIP 14/15	73,597	-	-
Total U.S. Department of Agriculture			688,746	-	-
<u>U.S. Department of Housing and Urban Development</u>					
Assistant Secretary For Community Planning and Development					
Passed through the N.C. Housing Finance Agency:					
Home Investment Partnerships Program	14.239	SFR-14	1,155	-	-
<u>U.S. Department of Transportation:</u>					
Federal Transit Administration:					
Passed through the N.C. Department of Transportation					
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.28.3.2	14,215	-	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.28.3.4	5,995	750	-
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	51001.28.4.2	77,500	-	-
New Freedom Program	20.521	51000.27.1.2	2,144	-	-
New Freedom Program	20.521	51000.27.2.3	15,637	1,954	-
Total Transit Services Programs Cluster			115,491	2,704	-
Passed through the N.C. Department of Transportation					
Formula Grants for Rural Areas	20.509	51081.5.1.3	17,566	-	-
Formula Grants for Rural Areas	20.509	36233.68.18.1	36,041	2,252	-
Formula Grants for Rural Areas	20.509	36233.68.19.1	165,376	10,334	-
Formula Grants for Rural Areas	20.509	51081.5.2.3	35,531	4,441	-
Formula Grants for Rural Areas	20.509	36233.68.18.3	89,044	11,131	-
Formula Grants for Rural Areas	20.509	36233.68.18.4	27,844	3,480	-
Formula Grants for Rural Areas	20.509	51081.5.2.3	4,341	543	-
Federal Aviation Administration:					
Passed through the N.C. Department of Transportation					
Airport Improvement Program	20.106	36237.1.14.2	877,099	-	-
Airport Improvement Program	20.106	36237.1.15.1	8,548	-	-
Total U.S. Department of Transportation			1,376,881	34,885	-
<u>Environmental Protection Agency</u>					
Passed through the N.C. Department of Health and Human Services:					
Division of Public Health					
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	126C195A1Q	3,879	-	-

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
<u>U.S. Department of Homeland Security</u>					
Federal Emergency Management Agency:					
Passed through the N.C. Department of Public Safety:					
Emergency Management Performance Grants	97.042	EMPG-2017-37113	38,642	-	-
<u>U.S. Department of Health and Human Services</u>					
Administration for Community Living:					
Passed through N.C. Department of Health and Human Services:					
Southwestern Commission Council of Governments:					
Aging Cluster:					
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	536333	32,945	51,770	-
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	536334	43,584	68,490	-
Special Programs for the Aging--Title III, Part B--Grants for Supportive Services and Senior Centers	93.044	536331	19,965	31,375	-
Special Programs for the Aging--Title III, Part B--Grants for Supportive Services and Senior Centers	93.044	536331	19,814	31,136	-
Special Programs for the Aging--Title III, Part B--Grants for Supportive Services and Senior Centers	93.044	536332	24,191	38,014	-
Nutrition Services Incentive Program	93.053	536160	9,480	-	-
Nutrition Services Incentive Program	93.053	536160	11,425	-	-
Total Aging Cluster			161,404	220,785	-
Total Administration for Community Living			161,404	220,785	-
Administration for Children and Families:					
Passed through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Foster and Adoption Cluster (Note 3):					
Foster Care_ Title IV-E - Administration	93.658	1801NCFOST	173,628	19,943	-
Foster Care_ Title IV-E - Direct Benefit Payments	93.658	1801NCFOST	208,955	55,272	-
Foster Care_ Title IV-E	93.658	1801NCFOST	41,777	-	-
Adoption Assistance - Administration	93.659	1801NCADPT	17,166	-	-
Total Foster Care and Adoption Cluster			441,526	75,215	-
Division of Social Services:					
Temporary Assistance for Needy Families Cluster:					
Temporary Assistance for Needy Families / Work First - Administration					
Temporary Assistance for Needy Families State Program	93.558	1801NCTANF	442,766	-	-
Temporary Assistance for Needy Families State Program	93.558	1801NCTANF	2,446	-	-
Total TANF Cluster			445,212	-	-
NC Child Support Enforcement Section:					
Child Support Enforcement - Administration / CSE Incentive Recovery	93.563	1804NC4005	258,438	-	-
Child Support Enforcement - Offset Fees - ESC	93.563	1804NC4005	4	-	-
Child Support Enforcement - Offset Fees - Federal	93.563	1804NC4005	619	-	-
Low-Income Home Energy Assistance Block Grant:					
Low Income Home Energy Assistance - Administration	93.568	G18B1NCLIEA	163,338	-	-
Low Income Home Energy Assistance - Crisis Intervention Program	93.568	G18B1NCLIEA	122,756	-	-
Child Welfare Services - State Grants					
Stephanies Tubbs Jones Child Welfare Service Program	93.645	G1801NCCWSS	9,838	-	-
Social Services Block Grant - Other Service and Training	93.667	G1801NCSOSR	101,504	-	-
Chafee Foster Care Independence Program - Administration	93.674	1801NCC1LP	4,283	1,071	-
Chafee Foster Care Independence Program - Direct Benefit Payments	93.674	1801NCC1LP	379	-	-
Promoting Safe and Stable Families - Administration	93.556	1801NCFPSS	17,014	-	-
Division of Aging and Adult Services:					
Division of Social Services:					
Social Services Block Grant - State In Home Service Fund	93.667	G1801NCSOSR	10,344	-	-
Social Services Block Grant - State Adult Day Care	93.667	G1801NCSOSR	17,604	18,450	-
Social Services Block Grant - Adult Protective Service	93.667	G1801NCSOSR	21,157	-	-
Social Services Block Grant - CPS TANF	93.667	G1801NCSOSR	71,189	-	-

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
Division of Child Development:					
Subsidized Child Care (Note 3)					
Child Care Development Fund Cluster:					
Division of Social Services:					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801NCCCDF	82,621	-	82,621
Division of Child Development:					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund -- Match	93.596	G1801NCCCDF	24,934	13,697	38,631
Total Child Care Development Fund Cluster			107,555	13,697	121,252
State Appropriations		536142	-	582	582
TANF-MOE		536142 & 536146	-	3,304	3,304
Total Subsidized Child Care Cluster			107,555	17,583	125,138
Passed through the N.C. Department of Health and Human Services/ N.C. Department of Environmental Quality:					
Low-Income Home Energy Assistance - Weatherization					
Assistance for Low Income Persons	93.568	7305	78,105	-	-
Low-Income Home Energy Assistance - Heating & Air Repair and Replacement Program	93.568	7305	37,203	-	-
Total Administration for Children and Families			1,908,068	112,319	125,138
Centers for Medicare and Medicaid Services:					
Passed through the N.C. Department of Health and Human Services:					
Medicaid Cluster:					
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XIX-MAP18	1,077,139	2,362	-
Total Medicaid Cluster			1,077,139	2,362	-
Division of Social Services:					
Administration:					
Children's Health Insurance Program - N.C. Health Choice	93.767	CHIP18	38,890	10	-
Total Centers for Medicare and Medicaid Services			1,116,029	2,372	-
Centers for Disease Control and Prevention:					
Passed through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	12642680EY	32,125	-	-
Well-Integrated Screening and Evaluation for Women Across the Nation Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.094	1313----SW	11,675	-	-
Injury Prevention and Control Research and State and Community Based Programs	93.116	1460----NF	50	-	-
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.136	1175----DH	5,000	-	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health funds	93.305	1271----ST	73,731	-	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.539	1331----VP	18,974	-	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.757	1271P3 & 1271P6 & 126CP3 & 126CP6	348,892	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.758	12615503PF / 1261550300	54,020	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.752	1320----JS	1,530	-	-
	93.898	1320----D7	8,415	-	-

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
HIV Cluster (Note 3):					
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	1311----NB	296	-	-
Total HIV Cluster			296	-	-
Total Centers for Disease Control and Prevention			554,708	-	-
Health Resources and Services Administration:					
Passed through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Maternal and Child Health Services Block Grant to the States	93.994	1271----AP & 13A1----AP	25,671	19,255	-
Office of Population Affairs:					
Passed through N.C. Department of Health and Human Services:					
Office of Population Affairs:					
Family Planning Services	93.217	13A1----FP	24,107	-	-
Administration for Community Living					
Passed through N.C. Department of Insurance:					
State Health Insurance Assistance Program	93.324	SHIIP 2018	3,929	-	-
Medicare Enrollment Assistance Program	93.071	SHIIP 2018	2,856	-	-
Total U.S. Department of Health and Human Services			3,796,772	354,731	125,138
U.S. Department of Energy					
Passed through N.C. Department of Environmental Quality:					
Weatherization Assistance for Low-Income Persons	81.042	7305	65,305	-	-
U.S. Department of Justice					
Bulletproof Vest Partnership Program	16.607	341057057	3,878	-	-
Equitable Sharing Program	16.922	NC0570000	6,766	-	-
Total U.S. Department of Justice			10,644	-	-
Total Federal Assistance			5,982,024	389,616	125,138
State Awards					
N.C. Department of Health and Human Services					
Division of Aging and Adult Services:					
Division of Social Services:					
Administration:					
AFDC Incent/Prog Integrity			-	2	-
ST Child Welfare/ CPS/CS LD			-	30,441	-
Energy Assist Private Grants			-	5,624	-
Direct Benefit Payments:					
State Foster Home			-	28,588	-
SFHF Maximization			-	21,946	-
F/C At Risk Maximization			-	5,738	-
Total Division of Social Services			-	92,339	-

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
Division of Public Health:					
Other Receipts / State Supported Expenditures					
General Aid to Counties		1161411000	-	82,398	-
Food and Lodging Fees		11534752SZ	-	19,305	-
General Communicable Disease Control		1175451000	-	10,678	-
TB Control		1460455100 / 1460455400	-	2,120	-
Child Health		1271574500	-	3,091	-
Tobacco Prevention and Cessation		1271781800	-	37,498	-
Minority Diabetes Prevention Program		1262417900	-	161,412	-
School Nurse Funding Initiative		1332535800	-	150,000	-
Public Health Nursing		1161430100	-	400	-
HIV/STD State		13114536BN / 13114536RQ	-	500	-
Gonorrhea Partner Services		13114601BN	-	259	-
STD Drugs		13114601RQ	-	52	-
Family Planning - State		13A1573500	-	3,057	-
Maternal Health		13A1574000	-	11,042	-
Women's Health Service Fund		13A16018FP	-	5,981	-
Breast and Cervical Cancer Program		1320559900	-	10,710	-
Total Division of Public Health			-	498,503	-
Division of Child Development:					
Passed through the Region A Partnership for Children:					
Smart Start Grant			-	28,495	-
Office of Rural Health:					
Community Health Grant		00036067	-	129,651	-
Community Health Medical Access Plan Grant		00036396	-	36,100	-
Total Office of Rural Health			-	165,751	-
Total N.C. Department of Health and Human Services			-	785,088	-
<u>N.C. Department of Military and Veterans Affairs</u>					
Veterans Service		NCDMVA2018	-	2,175	-
<u>N.C. Department of Public Safety</u>					
Division of Juvenile Justice					
Juvenile Crime Prevention Council		157-10345	-	32,829	32,829
Juvenile Crime Prevention Council		157-10171	-	27,590	27,590
Juvenile Crime Prevention Council		157-10324	-	26,630	26,630
Juvenile Crime Prevention Council		157-11447	-	2,275	-
Total N.C. Department of Public Safety			-	89,324	87,049
<u>N.C. Department of Environmental Quality</u>					
Division of Waste Management:					
Scrap Tire Disposal Grant		SWS906 & SWS943	-	17,411	-
Electronics Management Fund		ELECO18037	-	2,798	-
2017 Community Waste Reduction and Recycling Grant Program		7203	-	4,100	-
Total N.C. Department of Environmental Quality			-	24,309	-
<u>N.C. Department of Transportation</u>					
ROAP Cluster:					
ROAP Work First Transitional Employment Transportation Assistance Program		36236.11.6.1	-	10,223	-
ROAP Rural Operating Assistance Program- General Public Program		36228.22.7.1	-	67,771	-
ROAP Elderly and Disabled Transportation Assistance Program		36220.10.7.1	-	63,356	-
Total ROAP Cluster			-	141,350	-
Rural Capital Program		36223.42.2.3	-	30,800	-
Total N.C. Department of Transportation			-	172,150	-

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
<u>N.C. Department of Public Instruction</u>					
Public School Building Capital Fund					
NC Lottery Proceeds		LEA 560	-	297,259	297,259
State Public School Funds		PRC 039- SRO	-	39,722	-
Total N.C. Department of Public Instruction			-	336,981	297,259
<u>N.C. Department of Revenue</u>					
Unauthorized Substance Taxes		Chapter 105 - Article 2D	-	25,161	-
<u>N.C. Office of State Budget and Management</u>					
NC Grant-In-Aid		2571	-	100,000	-
<u>N.C. Department of Natural and Cultural Resources</u>					
Clean Water Management Trust Fund		2008-405A	-	59,975	-
Clean Water Management Trust Fund		2015-405	-	191,000	-
Total N.C. Department of Natural and Cultural Resources			-	250,975	-
<u>N.C. Department of Commerce</u>					
Division of Rural Economic Development:					
NC Rural Center Grant		2010-003-40101-112	-	5,000	-
Total State Assistance			-	1,791,163	384,308
Total Federal and State Assistance			<u>\$ 5,982,024</u>	<u>\$ 2,180,779</u>	<u>\$ 509,446</u>

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 (SEFSA) includes the federal and state grant activity of Macon County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Macon County, it is not intended to and does not present the financial position, changes in net position or cash flows of Macon County.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, and HIV Cluster.

4. Indirect Cost Rate

Macon County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.