

# COMPLIANCE SECTION

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- \* 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
- \* Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act.
- \* Report on Compliance with Requirements Applicable to Each Major State Program and Internal control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act.
- \* Schedule of Findings and Questioned Costs
- \* Corrective Action Plan
- \* Summary Schedule of Prior Audit Findings
- \* Schedule of Expenditures of Federal and State Awards

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of County Commissioners  
Harnett County, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Harnett County, North Carolina (the County) as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition noted is described in the accompanying schedule of findings and questions costs as item 06-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 06-02.

Board of County Commissioners  
Harnett County, North Carolina  
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We noted other matters involving the internal control over financial reporting that we have reported to the management of the County in a separate letter dated September 30, 2006.

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

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

*Cherry, Bekart + Holland LP*

Fayetteville, North Carolina  
September 30, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Board of County Commissioners  
Harnett County, North Carolina

**Compliance**

We have audited the compliance of Harnett County, North Carolina (the County), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, and the State Single Audit Implementation Act, and which are described in the accompanying schedule of findings and questioned costs as items 06-03, 06-04, 06-05 and 06-06.

**Internal Control Over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-07.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

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

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

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

Fayetteville, North Carolina  
September 30, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133  
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Board of County Commissioners  
Harnett County, North Carolina

### **Compliance**

We have audited the compliance of Harnett County, North Carolina (the County), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2006. The County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina* and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, and the State Single Audit Implementation Act, and which are described in the accompanying schedule of findings and questioned costs as items 06-03, 06-04, 06-05 and 06-06.

### **Internal Control Over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major State program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as 06-07.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

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

**CHERRY, BEKAERT & HOLLAND, L.L.P.**

*Cherry, Behaert + Holland LLP*

Fayetteville, North Carolina  
September 30, 2006







**HARNETT COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006**

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**II – Financial Statement Findings**

**MATERIAL WEAKNESS**

Finding: 06-01

Criteria: Internal controls are enhanced when the responsibility for executing a transaction, recording the transaction and maintaining custody of the assets resulting from the transaction are assigned to different individuals.

Condition: In reviewing internal control procedures within the EMS Department, we noticed a lack of segregation of duties. Internal controls are enhanced when the responsibility for executing a transaction, recording the transaction and maintaining custody of the assets resulting from the transaction are assigned to different individuals.

Effect: While it may be convenient to have one person authorized to handle multiple phases of a transaction, such a situation may lead to misstatements within the financial statements, which does not provide the ideal internal control structure.

Cause: The small number of employees within the EMS Department makes it difficult to achieve an adequate segregation of duties.

Recommendation: We recommend that the Finance Department collect and post the cash receipts from the EMS department and that the County further segregate the billing process within the EMS department.

**NONMATERIAL NON-COMPLIANCE WITH LAWS AND REGULATIONS**

Finding: 06-02

Criteria: North Carolina General Statutes require that fund deficits be “fully appropriated” when adopting the budget ordinance for the subsequent year. For General Statute purposes, “fully appropriated” means a transfer that affects fund balance rather than a loan.

Condition: The fund deficit in the Special District Fund (the “Fund”) of approximately \$21,080 as of June 30, 2006 was not “appropriated” during fiscal 2006.

Effect: Non-compliance with regulations.

Cause: The Board is aware of the deficit, which occurs due to the timing of payments.

Recommendation: Management needs to, on a periodic basis, evaluate the ability of the Fund to fund the deficit and appropriate the funds if necessary.

**HARNETT COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006**

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

**Administration for Children and Families**

Passed through the NC Department of Health and Human Services: Division of Child Development  
Program Name: Subsidized Child Care Cluster  
CFDA # 93.575, 93.596, 93.667, 93.558  
Smart Start (State Funds), State Appropriations

FINDING: 06-03

**NONMATERIAL NONCOMPLIANCE**

Eligibility

Criteria: North Carolina Department of Health and Human Services, Division of Child Development Subsidized Child Care Regulations requires that both a parent/guardian and social worker must sign the application for redetermination of child care payments and parent fees.

Condition: Our testing revealed one Child Protective Services cases that did not have the appropriate signatures during the one-year certification period.

Questioned Costs: None

Context: Of the twenty-five cases we examined, one was found to not have the appropriate signatures on the redeterminaiton application.

Effect: Signatures verify that both the parent and/or guardian have the correct information in regards to income so that a proper parent fee (if necessary) can be determined and the child would still be eligible to receive these services.

Cause: This is a control break down in the review process; the lack of a signature was not caught.

Recommendation: We recommend that the staff make certain that the application is signed while the applicant in at social services or within 24 hours after leaving. We further recommend that caseworkers sign the form immediately after completion.

Views of responsible officials and planned corrective actions:

The County agrees with the finding and will implement adequate checks and balances to ensure that this problem does not recur.

**HARNETT COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2006**

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**III – Federal Award Findings and Questioned Costs (continued)**

**Administration for Children and Families**

Passed through the NC Department of Health and Human Services: Division of Child Development  
Program Name: Subsidized Child Care Cluster  
CFDA # 93.575, 93.596, 93.667, 93.558  
Smart Start (State Funds), State Appropriations

FINDING: 06-04

**NONMATERIAL NONCOMPLIANCE**

Eligibility

Criteria: North Carolina Department of Health and Human Services, Division of Child Development Subsidized Child Care Service Regulations requires a six month review for Child Protective Services in order to determine if CPS are still being required. A six month review is also required for children classified as special or developmental needs to determine if the child continues to require the care to support those needs.

Condition: Our testing revealed two case files that did not receive a review during the one-year certification period (one CPS case and one developmental needs case).

Questioned Costs: None.

Context: Of the twenty case files we examined, four required quarterly reviews. We determined that two did not receive quarterly reviews.

Effect: The reviews identify when CPS terminates a case, making the recipient ineligible for child care under CPS services. Erroneous payments could occur in the event quarterly reviews are not made to discover those terminated cases.

Cause: Employees did not have notation in the file that a review was due. They are trained to notice that children classified as either CPS or Developmental Needs are required to have six-month reviews. This is part of the manual.

Recommendation: We recommend that the County implement a master schedule of quarterly reviews for all CPS and Developmental Needs cases showing the last review date and next due date. Also, training should be strengthened to enforce that reviews are required for these particular types of case files.

Views of responsible officials and planned corrective actions:

The County agrees with the finding and will implement adequate checks and balances to ensure that this problem does not recur.

**HARNETT COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006**

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**III – Federal Award Findings and Questioned Costs (continued)**

**Administration for Children and Families**

Passed through the NC Department of Health and Human Services: Division of Child Development

Program Name: Subsidized Child Care Cluster

CFDA # 93.575, 93.596, 93.667, 93.558

Smart Start (State Funds), State Appropriations

FINDING: 06-05

**NONMATERIAL NONCOMPLIANCE**

Special Tests and Provisions

Criteria: North Carolina Department of Health and Human Services, Division of Child Development Subsidized Child Care Service Regulations requires that the payment rate for centers and homes meeting minimum licensing standards that enroll in the Subsidized Child Care program is charged at either the provider rate or market rate, whichever is lower.

Condition: Our testing revealed that the County paid a day care provider for providing services at a rate that was higher than allowed by program requirements.

Questioned Costs: \$707. This amount was determined to be the payment made to the provider for the seven month period at \$101 per month the child was enrolled with the provider.

Context: Of the twenty-five case files we examined, we determined that one provider received payment that was more than allowed.

Effect: The County made an erroneous overpayment of \$101 a month to a provider for a seven-month period.

Cause: Employee oversight when keying monthly provider rates.

Recommendation: We recommend that the County implement a monitoring process to verify the proper payment rates have been authorized and entered into the payment system.

Views of responsible officials and planned corrective actions:

The County agrees with the finding and will implement adequate checks and balances to ensure that this problem does not recur.

**HARNETT COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006**

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**III – Federal Award Findings and Questioned Costs (continued)**

**Division of Social Services**

Medical Assistance Program

Program Name: Medicaid Title IX

CFDA # 93.778

FINDING: 06-06

**NONMATERIAL NONCOMPLIANCE**

Special Tests and Provisions

Criteria: North Carolina Department of Health and Human Services, Division of Medical Assistance Manual, Medicaid only pays for transportation if the recipient receives a Medicaid covered service. Per Section II, Line Item H of the manual, the County shall develop a No-Show Policy in coordination with the Community Transportation System to limit the misuse of funds. The jointly developed No-Show policy will establish consistent rules and procedures that each agency will follow when a client misses a scheduled trip without a valid cancellation.

Condition: Our testing revealed that one recipient of transportation was reported as being transported to his appointment, when in fact, the recipient had passed away prior to his scheduled transportation.

Questioned Costs: \$6.60. This amount was determined by totaling all the payments charged to the individual. The individual was reported as having made three trips at \$2.20 per trip.

Context: Of the fifteen case files we examined, we determined that the County paid for one no-show ride.

Effect: The County made an erroneous payment of \$6.60 to the transportation provider.

Cause: Harnett Area Rapid Transit System (HARTS) failed to note that the individual was a no-show.

Recommendation: The County should carefully monitor the transportation logs provided to the County by HARTS. The County, in conjunction with HARTS, should to develop a No-Show policy.

Views of responsible officials and planned corrective actions:

The County agrees with the finding and will implement adequate checks and balances to ensure that this problem does not recur.

**HARNETT COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006**

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**III – Federal Award Findings and Questioned Costs (continued)**

**Administration for Children and Families**

Passed through the NC Department of Health and Human Services: Division of Child Development  
Program Name: Subsidized Child Care Cluster  
CFDA # 93.575, 93.596, 93.667, 93.558  
Smart Start (State Funds), State Appropriations

FINDING: 06-07

**REPORTABLE CONDITION**

Eligibility

**Criteria:** North Carolina Department of Health and Human Services, Division of Child Development Subsidized Child Care Service Fiscal Manual describes the procedures on determining and re-determining eligibility for both the provider and applicant. Chapter 11 of the Manual states that six-month reviews are required for children with developmental needs and children that are in protective services. Chapter 21 of the Fiscal Manual specifically states that a provider is to be paid the lower of cost or market rate. The market rate is available though a link in their fiscal manual as has not changed since April 2003.

**Condition:** This program has had multiple findings in the past two years in regards to eligibility (applications not signed, wrong payments to providers, wrong parent fee calculation, quarterly reviews not performed as required).

**Questioned Costs:** None.

**Context:** Of the twenty-five case files we examined, four had findings. Two case files did not have the appropriate quarterly reviews; one case file did not have the appropriate signatures; and one provider was overpaid.

**Effect:** This appears to be an ongoing issue with rates not agreeing to the appropriate amount, signatures being overlooked and reviews not being performed. Providers are being overpaid and, in some instances, the overpayments are not being recovered.

**Cause:** This is a control break down in the review process.

**Recommendation:** The County should make certain that when the applicant is at Social Services to complete the application for re-determination, that the form is signed prior to them leaving or return within 24 hours to sign the application. Staff should sign the form after completion and calculation of the parent fee (if applicable). We recommend that a master schedule of cases that are required to have a quarterly review be established and that supervisors and program managers should follow up to make certain that the reviews are being performed. A training course needs to be performed on a regular basis to refresh the workers on the fiscal manual and the policies of Harnett County. Also, Foster Care workers should attend the meeting to make certain that they are aware of their responsibilities of informing the day care

**HARNETT COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006**

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workers of any changes to a foster care child that is also eligible for child care services.

Views of responsible officials and planned corrective actions:

The County agrees with the finding and will implement adequate checks and balances to ensure that this problem does not recur.



**HARNETT COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006**

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

**Administration for Children and Families**

Passed through the NC Department of Health and Human Services: Division of Child Development

Program Name: Subsidized Child Care Cluster

CFDA # 93.575, 93.596, 93.667, 93.558

Smart Start (State Funds), State Appropriations

FINDING: 06-03

**NONMATERIAL NONCOMPLIANCE**

Eligibility

See detail of finding 06-03 in Section III – Federal Award Findings and Questioned Costs.

**Administration for Children and Families**

Passed through the NC Department of Health and Human Services: Division of Child Development

Program Name: Subsidized Child Care Cluster

CFDA # 93.575, 93.596, 93.667, 93.558

Smart Start (State Funds), State Appropriations

FINDING: 06-04

**NONMATERIAL NONCOMPLIANCE**

Eligibility

See detail of finding 06-04 in Section III – Federal Award Findings and Questioned Costs.

**Administration for Children and Families**

Passed through the NC Department of Health and Human Services: Division of Child Development

Program Name: Subsidized Child Care Cluster

CFDA # 93.575, 93.596, 93.667, 93.558

Smart Start (State Funds), State Appropriations

FINDING: 06-05

**NONMATERIAL NONCOMPLIANCE**

Special Tests and Provisions

See detail of finding 06-05 in Section III – Federal Award Findings and Questioned Costs.

HARNETT COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2006

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**IV – State Award Findings and Questioned Costs (continued)**

**Division of Social Services**

Division of Medical Assistance

Program Name: Medicaid Title IX

CFDA # 93.778

FINDING: 06-06

NONMATERIAL NONCOMPLIANCE

Eligibility

See detail of finding 06-06 in Section III – Federal Award Findings and Questioned Costs.

**Administration for Children and Families**

Passed through the NC Department of Health and Human Services: Division of Child Development

Program Name: Subsidized Child Care Cluster

CFDA # 93.575, 93.596, 93.667, 93.558

Smart Start (State Funds), State Appropriations

FINDING: 06-07

REPORTABLE CONDITION

NONMATERIAL NONCOMPLIANCE

Eligibility

See detail of finding 06-07 in Section III – Federal Award Findings and Questioned Costs.

**HARNETT COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
Year Ended June 30, 2006**

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**II – Financial Statement Findings**

**Finding: 06-01**

- A. Name of Contact Person: Vanessa Young, Finance Officer
- B. Corrective Action: The County has established new internal control procedures with the EMS Department and the County has transferred some of the responsibilities to the Finance Office.
- C. Proposed Completion: Corrective action to be taken immediately.

**Finding: 06-02**

- A. Name of Contact Person: Vanessa Young, Finance Officer
- B. Corrective Action: The County will evaluate, on a periodic basis, the ability to the Special Districts Fund to fund the deficit and appropriate the funds if necessary.
- C. Proposed Completion: Corrective action to be taken immediately.

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

**Finding: 06-03**

- A. Name of Contact Person: Christine Clinton, Social Worker Supervisor II
- B. Corrective Action: The County has instructed all department personnel through informal correspondence that each application and re-determination is signed by the applicant and social worker prior to the applicant leaving or within 24 hours.
- C. Proposed Completion: Corrective action to be taken in fiscal year 2006

**Finding: 06-04**

- A. Name of Contact Person: Christine Clinton, Social Worker Supervisor II
- B. Corrective Action: The County will monitor Child Protective Services cases that require reviews to ensure they are being conducted. Caseworkers will be assigned to Child Protective Services cases to specifically monitor quarterly review requirements.
- C. Proposed Completion: Corrective action to be taken in fiscal year 2006.

**Finding: 06-05**

- A. Name of Contact Person: Christine Clinton, Social Worker Supervisor II
- B. Corrective Action: The County will notify the provider of the overpayment and via written communication and will jointly determine the appropriate method of recovering the overpayment amount.
- C. Proposed Completion: Corrective action to be taken in fiscal year 2007.

**HARNETT COUNTY, NORTH CAROLINA  
CORRECTIVE ACTION PLAN  
Year Ended June 30, 2006**

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**III – Federal Award Findings and Questioned Costs (continued)**

**Finding:                   06-06**

- A. Name of Contact Person:   Connie Green, Adult Medicaid Transportation
- B. Corrective Action:         The County will receive notification from the transportation provider of any no-shows for Medicaid transportation and the County will conduct an investigation as to the reasoning of the no-show.
- C. Proposed Completion:     Corrective action to be taken in fiscal year 2006.

**Finding:                   06-07**

- A. Name of Contact Person:   Christine Clinton, Social Worker Supervisor II
- B. Corrective Action:         The County has instructed all department personnel through formal and informal correspondence and training that no providers are to be authorized to receive payments unless a copy of verification of state license is obtained for the provider's case file.
- C. Proposed Completion:     Corrective action to be taken in fiscal year 2006.

**HARNETT COUNTY, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2006**

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**Finding: 05-01**

Status:

Cases are still being missed for quarterly reviews in the current year (See finding 06-04). Case workers are now documenting in the case file narratives as to when the next quarterly review is to be performed.

**Finding: 05-02**

Status:

A provider was being overpaid in the current year (See finding 06-05). Case workers are verifying the provider rates and attempting to recoup any overpayments that may occur.

**Finding: 05-03**

Status: Completed

**Finding: 05-04**

Status: Completed

HARNETT COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2006

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D. Number	Expenditures	
			Federal	State
<b>FEDERAL AWARD EXPENDITURES</b>				
<u>U.S. Dept. of Agriculture</u>				
Passed-through the N.C. Dept. of Health and Human Services:				
Division of Social Services:				
Administration:				
Food Stamps	10.561		\$ 577,147	\$ -
Direct Benefit Payment:				
Food Stamp EBT Benefits	10.551		11,051,680	-
Total Food Stamp Cluster			11,628,827	-
Division of Public Health:				
Administration:				
Special Supplemental Food Program for Women, infants and Children	10.557		381,845	-
Direct Benefit Payment:				
Special Supplemental Food Program for Women, infants and Children	10.557		2,144,817	-
Total of Public Health			2,526,662	-
<u>Total U.S. Dept. of Agriculture</u>			<u>14,155,489</u>	<u>-</u>
<u>Institute of Museum and Library Services</u>				
Passed through N.C. Department of Cultural Resources				
Library EZLSTA	45.310	5863	2,200	-
<u>Total Institute of Museum an Library Services</u>			<u>2,200</u>	<u>-</u>
<u>U.S. Dept. of Housing and Urban Development</u>				
Direct Program:				
Housing Assistance Payments Program:				
Vouchers	14.195		897,039	-
Passed-through N.C. Department of Commerce:				
Small Cities Community Development Block Grant				
Lockhart/Shawtown Revitalization	14.228	04-C-1253	190,498	-
CDBG Water/Sewer Hook-Up	66.418	04-C-1306	21,366	-
Scattered Site Housing II	14.228	05-C-1363	136,519	-
<u>Total U.S. Dept. of Housing and Urban Development</u>			<u>1,245,423</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>				
Passed-through the N.C. Department of				
Crime Control and Public Safety:				
Homeland Security 2004	97.004	2004-GE-T4-0014	168,730	-
Passed-through the N.C. Department of				
Division of Emergency Management				
Harnett Viper Radio	97.067	2005-GE-T5-0051-20006	82,950	-
Western Communication Tower HLS	97.004	2004-GE-T4-0014-2003	54,357	-
Passed-through the N.C. Department of				
Justice Office Justice Programs				
E. Byrne Justice Assistance	16.738	2005-DJ-BX-0530	49,062	-
Passed-through Mid-Carolina Council of Governments:				
Mobile Data Terminal HLS	16.579	2005CKWX0439	49,338	-
<u>Total U.S. Dept. of Justice</u>			<u>404,437</u>	<u>-</u>

HARNETT COUNTY, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2006

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D. Number	Expenditures	
			Federal	State
<u>U.S. Dept. of Labor</u>				
Passed-through Mid-Carolina Council of Governments:				
Welfare Investment Act	17.263		\$ 596,106	\$ -
WIA Dream Weavers	17.263		1,737	-
<u>Total U.S. Dept. of Labor</u>			<u>597,843</u>	<u>-</u>
<u>U.S. Dept. of Health and Human Services</u>				
Division of Aging and Adult Services				
Passed-through Mid-Carolina Council of Governments:				
Special Programs for the Aging Title III Cluster:				
Senior Center Operations and Outreach	93.044		7,613	-
Nutrition Services	93.045		258,141	-
Nutrition Services Incentive	10.570		49,661	
Special Programs for the Aging:				
Family Caregiver Support Program	93.052		20,235	4,059
Retired Senior and Volunteer Program	93.060		5,454	
Home and Community Care Block Grant	93.633		217,608	4,213
Medical Transportation and General	93.633	16-701	38,411	41,612
Division of Administration and Support				
Medicare D. Outreach	93.782	90005450	15,000	-
Passed-through Corporation for National Service:				
National Senior Service	94.002	2006 03SRSNC133	40,977	-
Division of Child Development				
Child Care Resource and Referral	93.575	5863	61,202	-
Division of Administration for Children & Families				
Child Support Enforcement	93.563	00040-4	25,690	13,234
<u>Total Dept. of Health &amp; Human Services</u>			<u>739,992</u>	<u>63,119</u>
Passed-through the N.C. Department of Health & Human Services:				
Division of Child Development				
Subsidized Child Care Cluster:				
Temporary Assistance for Needy Families	93.558		486,917	-
Child Care Development Fund, Discretionary (CCR&R)	93.575		1,519,350	-
Child Care & Development Fund - Mandatory	93.596		879,724	-
Child Care & Development Fund - Match	93.596		458,101	112,236
Social Services Block Grant	93.667		84,519	-
TANF - Maintenance of Effort			-	492,451
State Appropriations			-	678,855
Smart Start			-	119,223
Smart Start TANF Maintenance of Effort				236,145
Smart Start State Match				151,035
<u>Total Subsidized Child Care Cluster</u>			<u>3,428,611</u>	<u>1,789,945</u>
Passed-through the N.C. Department of Health & Human Services:				
Division of Social Services				
Foster Care and Adoption Cluster:				
Title IV-E Foster Care - Administration	93.658		388,984	203,195
Title IV-E Foster Care	93.658		307,913	84,578
Direct Benefit Payments:				
Title IV-E Adoption Subsidy	93.659		507,779	134,488
<u>Total Foster Care and Adoption Cluster</u>			<u>1,204,676</u>	<u>422,261</u>

HARNETT COUNTY, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 YEAR ENDED JUNE 30, 2006

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D. Number	Expenditures	
			Federal	State
<u>U.S. Dept. of Health and Human Services (Continued)</u>				
Division of Social Services				
Direct Benefit Payments:				
Temporary Assistance for Needy Families ("TANF")	93.558		\$ 859,888	\$ (251)
Aid to Families with Dependant Children ("AFDC")	93.560		(6,287)	(1,723)
Low Income Energy Assistance	93.568		429,469	-
Child Welfare Services - Permanency Planning	93.645		-	256,479
Administration:				
Temporary Assistance for Needy Families ("TANF")	93.558		1,221,467	-
IV-D Administration	93.563		68,821	-
Low Income Energy Assistance	93.568		40,071	-
Permanency Planning-Child Welfare Services	93.645		30,084	7,598
SSBG - Adult Day Care	93.667		26,334	-
SSBG - In Home Services	93.667		32,297	-
SSBG - Other Services	93.667		254,504	-
TANF to SSBG	93.667		44,456	-
LINKS	93.674		15,316	3,767
Health Choice	93.767		50,639	4,333
Division of Medical Assistance:				
Medicaid Title XIX	93.778		1,119,746	78,367
Direct Benefit Payments:				
Medicaid Title XIX	93.778		56,735,196	27,500,374
<b>Total Division of Social Services</b>			<b>60,922,001</b>	<b>27,848,944</b>
Division of Public Health				
Family Planning Title X	93.994		3,761	2,000
Family Planning Title X	93.217		45,943	-
Temporary Assistance for Needy Families	93.558		12,161	-
Comprehensive Breast and Cervical Cancer	93.283		19,950	-
Risk Reduction/Statewide Health Promotion	93.991		14,989	6,022
Maternal and Child Health Services Block Grant:				
Women's Preventive Health (Family Planning)	93.994		47,376	-
Maternal Health	93.994		11,302	-
Child Health (HHS-MCH Block Grant)	93.994		117,324	-
Child Health - CFPT (Child Fatality Prevention Team)	93.994		1,290	-
Child Service Coordination	93.994		25,031	-
Immunization Action Plan	93.268		34,330	-
Bioterrorism Preparedness & Response	93.283		59,200	-
Summer Food Service Program	10.559		830	-
<b>Total Division of Public Health</b>			<b>393,487</b>	<b>8,022</b>
<b>Total U.S. Dept. of Health and Human Services</b>			<b>66,688,767</b>	<b>30,132,291</b>
<u>U.S. Dept. of Transportation</u>				
Passed-through the N.C. Department of Transportation				
Division of Engineering				
Airport Improvement Programs				
Air Port Site Prep Air 21	20.106	36237.25.6.1	150,000	-
Relocation SR 2076	20.106	36237.25.4.2	1,298,220	-
Runway & Taxi Extension	20.106	36237.25.5.1	134,564	-
Airport Site Preparation II	20.106	36237.25.6.2	407,086	-
Public Transportation Division				
Community Transportation TDP/CTP	20.509/20.106	05-CT-040	123,251	6,487
Community Transportation TDP/CTP	20.509	06-CT-040	113,324	5,964
Planning-Program-Evaluation				
Dunn Erwin Trail	20.205	TPI-E-4935	108,930	-
Governor's Highway Safety Program	20.668	PT-06-04-05-60	22,289	-
<b>Total U.S. Dept. of Transportation</b>			<b>2,357,664</b>	<b>12,451</b>



HARNETT COUNTY, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 YEAR ENDED JUNE 30, 2006

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D. Number	Expenditures	
			Federal	State
<u>N.C. Dept. of Crime Control and Public Safety</u>				
State & Local Assistance Emergency Services	97.042	EMPG-2003-37085	\$ 31,027	\$ -
Hazardous Material Emergency Planning	20.703	HMPG-39-6-00	4,925	-
Pass-through Juvenile Justice and Delinquency Prevention Governor-One-on-One	93.667		35,750	-
<u>Division of Emergency Management Home Land Security</u>				
Home Land Security Phase I	97.042	HS-TE-03-1043	24,474	
Home Land Security Phase II	97.042	HS-TE-03-1043	527	-
<u>Division of Governor's Crime Commission</u>				
Mobile Data Terminal	16.579	043-1-03-15B-AD-658	48,960	-
Teens As Parents	6.54	43-1-04-009-AJ-171	64,545	
<u>Total N.C. Dept. of Crime Control and Public Safety</u>			<u>210,208</u>	<u>-</u>
<u>N.C. Office of Juvenile Justice</u>				
Police Athletic League Youth Enrichment Program	93.590	643007	8,308	-
Support For Students	16.726	566000306	14,266	57,064
<u>Total N.C. Office of Juvenile Justice</u>			<u>22,574</u>	<u>57,064</u>
<b>TOTAL FEDERAL AWARD EXPENDITURES</b>			<b>85,684,605</b>	<b>30,201,806</b>
<b>STATE AWARD EXPENDITURES</b>				
<u>N.C. Economic Development Administration</u>				
Grants for Public Works and Economic Development Fac	11.300	02-50-07	-	99,566
<u>Total N.C. Economic Development Administration</u>			<u>-</u>	<u>99,566</u>
<u>N.C. Dept. of Administration</u>				
<u>Division of Veterans Affairs</u>				
Veteran Affairs			-	2,000
<u>Total N.C. Dept. of Administration</u>			<u>-</u>	<u>2,000</u>
<u>N.C. Dept. of Correction Division of Community Correction</u>				
Lee Harnett Criminal Justice Alliance		F-0704-I-A	-	58,548
<u>Total N.C. Department of Correction</u>			<u>-</u>	<u>58,548</u>
<u>N.C. Dept. of Cultural Resources</u>				
State Aid to Public Libraries			-	176,254
Library-Gates Staying Connected			-	26,076
<u>Total N.C. Dept. of Cultural Resources</u>			<u>-</u>	<u>202,330</u>
<u>N.C. Dept. of Health and Human Services</u>				
<u>Division of Community Health:</u>				
General Health/State Aid			-	29,743
Tuberculosis Control			-	31,226
TB Medical Services			-	2,743
Environmental Health			-	6,000
Food and Lodging			-	6,959
Childhood Lead Poisoning Prevention			-	1,400
AIDS - State (HIV/STD - State)			-	500
HIV/STD Prevention			-	12,000
Communicable Disease			-	4,001
Healthy Carolinians			-	5,000
<u>Division of Social Services:</u>				
<u>Direct Benefit Payment:</u>				
Special Assistance to Adults			-	998,402

HARNETT COUNTY, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 YEAR ENDED JUNE 30, 2006

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D. Number	Expenditures	
			Federal	State
<u>N.C. Dept. of Health and Human Services (continued)</u>				
Division of Community Health (continued):				
Administration:				
Adult Day Care			-	13,529
CPS Expansion				180,192
Progress Energy Neighbor			-	13,980
Social Services Block Grant - State			-	41,187
Smart Start			-	98,205
Special Needs Adoption Fund			-	81,000
State Adult Protective Services			-	24,611
State Aid to Counties			-	75,043
State Foster Home			-	7,994
Share The Warmth				1,158
<u>Total N.C. Dept. of Health and Human Services</u>			-	<u>1,634,873</u>
<u>N.C. Department of Insurance</u>				
Division of Seniors: Health Insurance Information Program				
SHIP-Medicare Counseling		90005450		1,000
<u>Total N.C. Department of Insurance</u>			-	<u>1,000</u>
<u>N.C. Division of Child Development</u>				
N.C. Partnership for Children, Inc.				
Family Home Care Licensure		3-01-5-12-002	-	50,552
Parents as Teachers		3-01-5-12-002	-	230,192
Top Notch Teachers		3107-COMP-10		90,669
<u>Total N.C. Division of Child Development</u>			-	<u>371,413</u>
<u>N.C. Office of Juvenile Justice</u>				
CBA-Juvenile Restitution		643032	-	86,323
CBA-Juvenile Restitution-JCPC		643000	-	4,374
Court Psychologist		643005	-	4,534
Creating Opportunities that Promote Excellence	16.54	643036		8,308
CBA-Specialized Foster Care		643021	-	19,012
Hillcrest Youth Shelter		643013	-	35,100
Family Preservation		643026		24,000
Re-Entry-Healthy Choice		043-198-013-D338		36,614
<u>Total N.C. Office of Juvenile Justice</u>			-	<u>218,265</u>
<u>N.C. Dept. of Public Instruction</u>				
Public School Building Bonds				
			-	54,069
<u>Total N.C. Department of Public Instruction</u>			-	<u>54,069</u>
<u>N.C. Dept. of Transportation</u>				
Passed-through the N.C. Department of Transportation				
Division of Engineering				
Western Harnett & Emmett Edgerton Industrial Park		DOT-18 (6.451006)		43,316
Rural Operating Assistance Program (ROAP):				
Work First Transportation Grant		DOT-16CL	-	10,850
Rural General Public Program (RGP)		DOT-16CL	-	70,689
Elderly and Disabled Transportation Assistance Program (EDTAP)		DOT-16CL	-	62,993
<u>Total N.C. Department of Transportation</u>			-	<u>187,848</u>

HARNETT COUNTY, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 YEAR ENDED JUNE 30, 2006

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant I.D. Number	Expenditures	
			Federal	State
<u>N.C. State Board of Elections</u>				
Help America Vote Act		Title 1 Section 101	\$ -	\$ 62,145
<u>Total N.C. State Board of Elections</u>			-	62,145
<u>N.C. Rural Economic Development</u>				
State Clean Water Bond Grant		02-51-10 & 02-58-46	-	440,000
e-Communities Grant		2006-105-80302-403		3,295
PJ's Waterline NC Infrastructure		18-01-28		11,375
<u>Total N.C. Rural Economic Development</u>			-	454,670
<b>TOTAL STATE AWARD EXPENDITURES</b>			-	<b>3,346,726</b>
<b>TOTAL AWARD EXPENDITURES</b>			<b>85,684,605</b>	<b>33,548,532</b>

**HARNETT COUNTY, NORTH CAROLINA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2006**

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**1. GENERAL**

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

**2. BASIS OF ACCOUNTING**

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

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

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

**4. AMOUNTS PROVIDED TO SUBRECIPIENTS**

During the year ended June 30, 2006, Harnett County passed through monies received from the North Carolina Department of Public Instruction of \$54,069 in connection with public school bond funding provided to Harnett County Board of Education as a subrecipient.