



# STATE OF NORTH CAROLINA

**AUDIT RESULTS FROM**

**CAFR AND SINGLE AUDIT PROCEDURES**

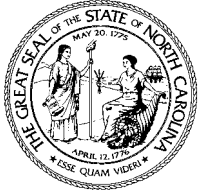
**DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY**

**FOR THE YEAR ENDED JUNE 30, 2002**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
Office of the State Auditor

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet <http://www.osa.state.nc.us>

March 17, 2003

The Honorable Michael F. Easley, Governor  
Members of the North Carolina General Assembly  
Mr. Bryan Beatty, Secretary  
Department of Crime Control and Public Safety

We have completed certain audit procedures at the Department of Crime Control and Public Safety related to the State's *Single Audit Report*, for the year ended June 30, 2002. Our audit was made by authority of Article 5A of Chapter 147 of the General Statutes..

The results of these procedures, as described below, yielded audit findings and recommendations for the Department related to the State's federal financial assistance programs that may require disclosure in the aforementioned report. The findings noted above are included in the findings and recommendations section contained herein. Our recommendations for improvement and management's response follow each finding.

We noted internal control deficiencies in the Public Assistance Program and the Hazard Mitigation Grant Program related to the adequate monitoring of subrecipients audit reports. These monitoring deficiencies represent instances of noncompliance with federal rules and regulations.

The accounts and operations of the Department of Crime Control and Public Safety are an integral part of the State's reporting entity represented in the *CAFR* and the *Single Audit Report*. In the *CAFR*, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the results of tests on the State's internal control and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133.

As part of the work necessary for issuance of the *CAFR* and the *Single Audit Report*, the following individual funds and federal programs of the State were subjected to audit procedures at the Department of Crime Control and Public Safety as we considered necessary:

Funds for the *Comprehensive Annual Financial Report*:

None

Federal Programs for the *Single Audit Report*:

83.544 Public Assistance Grants

83.548 Hazard Mitigation Grant Program

The individual funds and federal programs subjected to audit at the Department of Crime Control and Public Safety are substantially less in scope than would be necessary to report on the general-purpose financial statements that relate solely to the Department or the administration of federal programs by the Department. Therefore, we do not express such conclusions.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Respectfully submitted,

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.  
State Auditor

## AUDIT FINDINGS AND RECOMMENDATIONS

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*Current Year Finding and Recommendation Also Reported in Prior Audit* - The following finding and recommendation was identified during the current and prior audit and represent a significant deficiency in internal control or noncompliance with laws, regulations, contracts, or grants.

### 1. INADEQUATE TRACKING OF SUBRECIPIENT AUDIT REPORTS – PUBLIC ASSISTANCE PROGRAM

As disclosed during the prior audit, the Department does not have adequate and reliable controls to ensure the tracking and receipt of subrecipient audit reports for the Public Assistance Program. This condition limits the Department's ability to comply with OMB Circular A-133 requirements which state, in part, that the pass-through entity (the Department) is responsible for ensuring that required subrecipient audits are performed and that the subrecipient takes prompt corrective action on any audit findings.

- Nineteen of the 47 subrecipients tested did not submit an audit report to the Department or an audit package to the Federal Clearinghouse.
- Twenty-four of the 47 subrecipients submitted an audit package to the Federal Clearinghouse, however they did not submit the required notification of such filing to the Department.
- Four of the 47 subrecipients submitted an audit report, but the report did not meet the requirements of OMB Circular A-133.

The Department uses the US Office of Management and Budget (OMB) Federal Audit Clearinghouse website to monitor subrecipient audit reports. The Single Audit Act requires grant recipients expending \$300,000 or more in Federal funds in a fiscal year to obtain a single audit.

*Recommendation:* The Department should develop and implement a complete tracking system to ensure that all required subrecipient audit reports are received and reviewed in a timely manner.

*Agency Response:* The Department concurs with this finding and will ensure by internal auditor review an adequate and reliable tracking system is in place to ensure the tracking and receipt of all subrecipient audit reports for the Public Assistance Grant Program in compliance with Federal OMB Circular A-133 requirements. Currently, the Division of Emergency Management, Public Assistance Section tracks and reviews audit reports on majority of subrecipients.

## **AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)**

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*Other Current Year Finding and Recommendation* - The following finding and recommendation was identified during the current audit and represent a significant deficiency in internal control or noncompliance with laws, regulations, contracts, or grants.

### 2. INADEQUATE TRACKING OF SUBRECIPIENT AUDIT REPORTS – HAZARD MITIGATION GRANT PROGRAM

The Department did not have adequate and reliable controls to ensure the tracking and receipt of subrecipient audit reports for the Hazard Mitigation Grant Program (HMGP). This condition limits the Department's ability to comply with Federal OMB Circular A-133 requirements which state, in part, that the pass-through entity (the Department) is responsible for ensuring that required subrecipient audits are performed and that the subrecipient takes prompt corrective action on any audit findings.

- Nine of 42 HMGP subrecipients did not submit an audit report to the Department or an audit package to the Federal Clearinghouse.
- Thirty-three of the 42 HMGP subrecipients submitted an audit package to the Federal Clearinghouse, however they did not submit the required notification of such filing to the Department.

The Department uses the U.S. Office of Management and Budget (OMB) Federal Audit Clearinghouse website to track subrecipient audit reports. The Single Audit Act requires grant recipients expending \$300,000 or more in Federal funds in a fiscal year to obtain a single audit.

*Recommendation:* The Department should develop and implement a complete tracking system to ensure that all required subrecipient audit reports are received and reviewed in a timely manner.

*Agency Response:* The Department concurs with this finding and will ensure by internal auditor review an adequate and reliable tracking system is in place to ensure the tracking and receipt of all subrecipient audit reports for the Hazard Mitigation Grant Program in compliance with Federal OMB Circular A-133 requirements.

## **DISTRIBUTION OF AUDIT REPORT**

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In accordance with General Statutes 147-64.5 and 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

### **EXECUTIVE BRANCH**

The Honorable Michael F. Easley	Governor of North Carolina
The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Mr. Bryan Beatty	Secretary, Department of Crime Control and Public Safety

### **LEGISLATIVE BRANCH**

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Senator Kever M. Clark	Representative E. Nelson Cole
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### **Other Legislative Officials**

Senator Anthony E. Rand	Majority Leader of the N. C. Senate
Senator Patrick J. Ballantine	Minority Leader of the N. C. Senate
Representative N. Leo Daughtry	Minority Leader of the N. C. House of Representatives
Representative Joe Hackney	N. C. House Speaker Pro-Tem
Mr. James D. Johnson	Director, Fiscal Research Division

March 18, 2003

## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Internet: <http://www.ncauditor.net>

Telephone: 919/807-7500

Facsimile: 919/807-7647