

# STATE OF NORTH CAROLINA

**DEPARTMENT OF PUBLIC SAFETY**

**RALEIGH, NORTH CAROLINA**

**STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES**

**FOR THE YEAR ENDED JUNE 30, 2013**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**DEPARTMENT OF PUBLIC SAFETY**

**RALEIGH, NORTH CAROLINA**

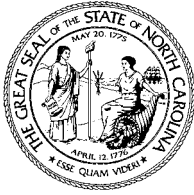
**STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES**

**FOR THE YEAR ENDED JUNE 30, 2013**

**ADMINISTRATIVE OFFICERS**

**FRANK L. PERRY, SECRETARY**

**LORRIE L. DOLLAR, COMMISSIONER, ADMINISTRATION DIVISION**



**Beth A. Wood, CPA**  
State Auditor

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**Office of the State Auditor**

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**AUDITOR'S TRANSMITTAL**

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The Honorable Pat McCrory, Governor  
Members of the North Carolina General Assembly  
Mr. Frank Perry, Secretary  
Department of Public Safety

As part of our audit of the State of North Carolina's compliance with requirements applicable to its major federal programs, we have completed certain audit procedures at the Department of Public Safety for the year ended June 30, 2013. Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*. We conducted the audit 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*.

Our audit objective was to render an opinion on the State of North Carolina's, and not the Department's, administration of major federal programs. However, the report included herein is in relation to our audit scope at the Department and not to the State of North Carolina as a whole. The State Auditor expresses an opinion on the State's compliance with requirements applicable to its major federal programs in the State's *Single Audit Report*.

The audit findings referenced in the report are also evaluated to determine their impact on the State's internal control and the State's compliance with rules, regulations, contracts, and grants. If determined necessary in accordance with *Government Auditing Standards* or the OMB Circular A-133, these findings are reported in the State's *Single Audit Report*.

*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.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor



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**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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Secretary Frank Perry  
and Management of the Department of Public Safety

Report on Compliance

As part of our audit of the State of North Carolina's compliance with the types of requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major programs for the year ended June 30, 2013, we have performed audit procedures at the Department of Public Safety. Our report on the State of North Carolina's compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133 is included in the State's *Single Audit Report*. Our federal compliance audit scope at the Department of Public Safety included the following:

- CFDA 16.738 – Edward Byrne Memorial Justice Assistance Grant Program
- CFDA 16.803 – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories
- CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

The audit results described below are in relation to our audit scope at the Department and not to the State of North Carolina as a whole.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of North Carolina's major federal programs based on our audit of the types of compliance requirements referred to above, which we issue in the State's *Single Audit Report*. We conducted our audit

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
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IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)**

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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*. Those standards and OMB Circular A-133 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 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. However, our audit does not provide a legal determination of the Department's compliance with those requirements.

Opinion on Each Major Federal Program

As stated above, our opinion on compliance for each of the State of North Carolina's major federal programs is included in the State's *Single Audit Report*.

Other Matters

The results of our audit procedures at the Department of Public Safety disclosed an instance of noncompliance that is required to be reported in accordance with OMB Circular A-133 and is described in finding 1 in the Audit Findings and Responses section of this report.

Report on Internal Control Over Compliance

Management 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 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
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IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONCLUDED)**

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control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 were not identified. However, we consider the deficiencies described in finding 1 in the Audit Findings and Responses section of this report to be a material weakness in internal control over compliance. Furthermore, we consider the deficiency described in finding 2 in the Audit Findings and Responses section of this report to be a significant deficiency in internal control over compliance.

Purpose of Report on Internal Control Over Compliance

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

Management's Responses to Audit Findings

Management's responses to the findings identified in our audit are included in the Audit Findings and Responses section of this report. The responses were not subjected to the auditing procedures applied in the audit of compliance or consideration of internal control over compliance, and accordingly, we express no opinion on them.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 14, 2014

## AUDIT FINDINGS AND RESPONSES

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### Matters Related to Federal Compliance Objectives

#### 1. DEFICIENCIES IN FEDERAL REPORTING

The Department did not report Public Assistance disaster subawards of \$25,000 or more in the federal reporting system, as required under the Federal Funding Accountability and Transparency Act (FFATA). During the state fiscal year ended June 30, 2013, the Department disbursed approximately \$16.7 million of subawards equal to or exceeding \$25,000 for Public Assistance disasters.

As required by the Transparency Act and Office of Management and Budget (OMB) guidance, prime awardees are required to report and ensure public disclosure of federal grant data for subawards equal to or over \$25,000.

*Federal Award Information:* This finding affects CFDA 97.036 Disaster Grants – Public Assistance program disasters NC Severe Storms, Tornadoes, and Flooding award FEMA-1969-DR-NC and NC Hurricane Irene award FEMA-4019-DR-NC.

*Recommendation:* The Department should ensure reports are accurately prepared and submitted in accordance with federal reporting requirements.

*Department Response:* The Department agrees with this finding. The Department will report Public Assistance disaster awards in the federal reporting system as required under the Federal Funding Accountability and Transparency Act (FFATA).

#### 2. REVIEW OF SUBRECIPIENT AUDIT REPORTS NEEDS IMPROVEMENT

While the Department adequately tracked and obtained subrecipient audit reports, it did not have procedures in place to identify audit findings relevant to its programs and ensure that subrecipients took timely and appropriate corrective action on the findings. As a result, there was an increased risk that deficiencies identified at the subrecipient level would not be corrected. However, in our audit we did not identify any subrecipient audit findings relevant to the Department's programs.

OMB Circular A-133 requires pass-through agencies to issue a management decision on audit findings within six months after receipt of the subrecipient's report and ensure the subrecipient took timely and appropriate action.

Significant aspects of this finding were reported in previous years.

*Federal Award Information:* This finding affects the following:

## AUDIT FINDINGS AND RESPONSES (CONCLUDED)

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- CFDA 16.738 Edward Byrne Memorial Justice Assistance Grant Program award 2008-DJ-BX-0032 for the award period October 1, 2007 – September 30, 2012; award 2008-DJ-BX-0768 for the award period October 1, 2007 – September 30, 2012; award 2009-DJ-BX-0839 for the award period October 1, 2008 – September 30, 2013; award 2010-DJ-BX-0045 for the award period October 1, 2009 – September 30, 2014; award 2011-DJ-BX-2091 for award period October 1, 2010 – September 30, 2014; and award 2012-DJ-BX-0640 for award period October 1, 2011 – September 30, 2015.
- CFDA 16.803 Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to States and Territories award 2009-SU-B9-0054 for the award period March 1, 2009 – February 28, 2013.
- CFDA 97.036 Disaster Grants – Public Assistance program disasters NC Severe Storms, Tornadoes, and Flooding award FEMA-1969-DR-NC and NC Hurricane Irene award FEMA-4019-DR-NC.

*Recommendation:* The Department should implement procedures to ensure management decisions are issued and corrective action is taken on relevant subrecipient audit findings. The Department should also ensure that the appropriate guidance and training is provided to staff given these responsibilities.

*Department Response:* The Department agrees with this finding. The Department will ensure there is follow-up with the subrecipient on audit findings. Also, the communication and result of the corrective action will be documented on the audit tracking mechanism.



## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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For additional information contact:

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