

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

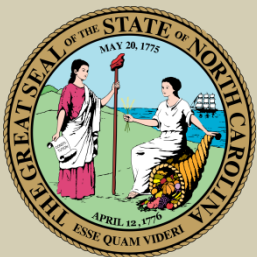


NORTH CAROLINA DEPARTMENT OF PUBLIC SAFETY

RALEIGH, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2018



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Beth A. Wood, CPA
State Auditor

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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Erik A. Hooks, Secretary
North Carolina Department of Public Safety

As part of our audit of the State of North Carolina's compliance with the types of requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs, we have completed certain audit procedures at the North Carolina Department of Public Safety for the year ended June 30, 2018.

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. However, the results included herein are 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*.

Our federal compliance audit scope at the North Carolina Department of Public Safety included the following:

- CFDA 16.575 – Crime Victim Assistance

Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

We conducted our audit of compliance in accordance with the 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

Other Matters

Compliance

The results of our audit procedures at the North Carolina Department of Public Safety disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and which are described in the Findings, Recommendations, and Responses section.

Internal Controls

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 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 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 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 and significant deficiencies may exist that were not identified. However, we consider the deficiencies described in the Findings, Recommendations, and Responses section to be a material weakness in internal control over compliance.

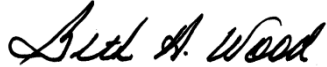
North Carolina Department of Pubic Safety's Response to Findings

The Department's response to the finding identified in our audit is included in the Findings, Recommendations, and Responses section of this transmittal. The Department's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Purpose of This Transmittal

The purpose of this transmittal is solely to describe the scope of our testing of internal control over compliance and testing of compliance and the results of that testing at the North Carolina Department of Public Safety based on the requirements of the Uniform Guidance. Accordingly, this transmittal is not suitable for any other purpose.

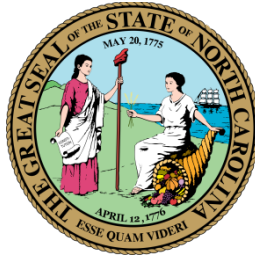
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

March 19, 2019



FINDINGS, RECOMMENDATIONS, AND RESPONSES

Matters Related to Federal Compliance Audit Objectives

The following audit finding was identified during the current audit and describes conditions that represent deficiencies in internal control or noncompliance with laws, regulations, contracts, grant agreements, or other matters.

GOVERNOR'S CRIME COMMISSION DID NOT ADEQUATELY MONITOR SUBRECIPIENTS

The Governor's Crime Commission (Commission), a division within the Department of Public Safety, did not adequately monitor \$37.9 million in federal funds passed to state agencies, non-profits, and other organizations (collectively called subrecipients) for providing assistance to victims of crime. Specifically, the Commission did not:

- Perform all required site visits
- Review participant eligibility during site visits
- Adequately review reimbursement requests

Auditors reviewed all 107 projects that were closed during the audit period. Each project was required to have a site visit during the project life. Site visits were not scheduled or performed for 38 (36%) of the projects.

Additionally, a random sample of 19 (20%) of the 94 site visits performed during the audit period showed deficiencies in 100% of items tested. Specifically,

- In 17 of 19 (89%) site visits, there was no evidence that the monitor reviewed participant eligibility.
- In 2 of 19 (11%) site visits, there was no evidence that the visit occurred at all.

Lastly, a random sample of 74 out of 2,926 reimbursement requests paid to subrecipients showed that 30 (40%) requests were not adequately reviewed. Specifically,

- For 18 of 74 (24%) requests, the supporting documentation did not support the amount being requested for reimbursement.
- For 7 of 74 (9%) requests, there was no evidence of supervisor approval.
- For 5 of 74 (7%) requests, there was neither supporting documentation of the amount nor evidence of supervisor approval.

Inadequate on-site monitoring increased the risk that the Commission would not detect funds spent on ineligible participants, which could have reduced funding available for the victims of sexual assault, domestic abuse, child abuse, and other crimes. Additionally, payments of \$291,507 to subrecipients are being questioned due to the Commission's inadequate review of reimbursement requests.

According to the Commission, it experienced significant turnover in recent years which reduced the number of staff who had knowledge and experience with the monitoring requirements. Further, management did not have adequate policies and procedures in place to ensure sufficient reviews and on-site visits were performed.

However, federal regulations¹ required the Commission to:

Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Best practices² for monitoring subrecipient activities include “performing subrecipient site visits to examine financial and programmatic records and observe operations; and reviewing detailed financial and program data and information submitted by the subrecipient.”

Federal Award Information: Federal Awarding Agency: U.S. Department of Justice; CFDA Number (title) 16.575 (Crime Victim Assistance); Federal Award Number: 2014-VA-GX-0021 (October 1, 2013 – September 30, 2017); 2015-VA-GX-0019 (October 1, 2014 – September 30, 2018); 2016-VA-GX-0075 (October 1, 2015 – September 30, 2019); 2017-VA-GX-0050 (October 1, 2016 – September 30, 2020).

Recommendation: Commission management should ensure responsible staff receive proper training on the monitoring requirements.

Additionally, Commission management should develop policies and procedures to ensure subrecipients are adequately monitored such as thorough reviews of reimbursement requests, a tracking tool for planning and completing on-site visits, and updated review procedures for on-site visits.

Agency Response: See pages 6-8 for the North Carolina Department of Public Safety’s response to this finding.

¹ 2 CFR 200.331(d)

² United States Department of Justice Grants Financial Guide



North Carolina Department of Public Safety
Prevent. Protect. Prepare.

Roy Cooper, Governor

Erik A. Hooks, Secretary

January 28, 2019

The Honorable Beth A. Wood, CPA
 State Auditor
 North Carolina Office of the State Auditor
 20601 Mail Service Center
 Raleigh, North Carolina 27600-0600

Re: Federal compliance portion of the audit of the North Carolina Department of Public Safety

Dear Auditor Wood:

I am in receipt of your letter dated January 10, 2019 and the accompanying Audit Findings and Recommendations related to the Federal Compliance Audit of the Governor's Crime Commission (Commission). The audit addressed the state fiscal year that ended June 30, 2018 and covered the Victims of Crime Act (VOCA) funding for federal fiscal years 2014, 2015, 2016, and 2017.

The Department accepts the findings by the Office of the State Auditor (OSA) that the Commission did not adequately monitor \$37.9 million in federal funds. The Department further acknowledges the report's findings regarding inadequately reviewed reimbursements totaling less than 1% of the amount administered by the Commission during the relevant timeframe.

The Commission had already identified and corrected some of the internal control issues noted by your office and is currently working to implement your other recommendations. Attached you will find our response and the corrective action plan outlining these improvements.

The Department appreciates the opportunity to respond to this report, as well as the courtesy and professionalism with which your staff conducted this investigation.

Sincerely,

Erik A. Hooks
 Secretary

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cc: Casandra Hoekstra, Chief Deputy Secretary for Administration
Pamela Cashwell, Chief Deputy Secretary for Professional Standards, Policy & Planning
Jane Gilchrist, General Counsel
Doug Holbrook, Chief Financial Officer
James Cherokee, Controller
Tim Harrell, Internal Audit Director
Caroline Valand, Executive Director, Governor's Crime Commission
Diane Barber Whitaker, Director of Federal Compliance, Governor's Crime Commission

Finding

The Governor's Crime Commission (Commission) did not adequately monitor \$37.9 million in federal funds passed to state agencies, non-profits, and other organizations (collectively called sub-recipients) for providing assistance to victims of crime. Specifically, the Commission did not:

- Perform all required site visits
- Review participant eligibility during site visits
- Adequately review reimbursement requests

Recommendation

Commission management should ensure responsible staff receive proper training on the monitoring requirements.

Additionally, Commission management should develop policies and procedures to ensure subrecipients are adequately monitored such as thorough reviews of reimbursement requests, a tracking tool for planning and completing on-site visits, and updated review procedures for on-site visits.

Agency Response

The Commission remains committed to administering all federal grant awards in accordance with applicable state and federal guidance and is working to increase staffing levels in order to ensure appropriate monitoring.

The Commission will improve its training program to ensure that responsible staff receive proper training on monitoring requirements. Additionally, Commission management will develop and implement policies and procedures to ensure that sub-recipients are adequately monitored.

ORDERING INFORMATION

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For additional information contact:
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919-807-7513



This audit was conducted in 1,480 hours at an approximate cost of \$152,440.