

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

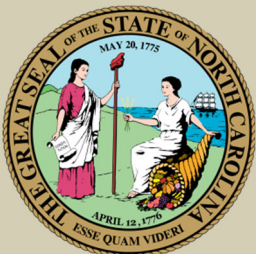
BETH A. WOOD, CPA



## NORTH CAROLINA DEPARTMENT OF PUBLIC SAFETY

RALEIGH, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2020



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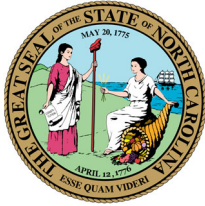
**Beth A. Wood, CPA**  
**State Auditor**

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STATE OF NORTH CAROLINA  
**Office of the State Auditor**



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

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## **AUDITOR'S TRANSMITTAL**

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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, 2020.

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 14.228 – Community Development Block Grant – Disaster Recovery
- CFDA 16.575 – Crime Victim Assistance
- CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Our audit was performed by authority of Chapter 147, Article 5A 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 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 consider necessary in the circumstances.

### Other Matters

#### *Compliance*

The results of our audit procedures at the North Carolina Department of Public Safety disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and which is described in the Findings, Recommendations, and Views of Responsible Officials of the Auditee 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 the Department'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 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. Therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we consider the deficiency described in the Findings, Recommendations, and Views of Responsible Officials of the Auditee section to be a significant deficiency in internal control over compliance.

### North Carolina Department of Public Safety's Response to Findings

The Department's response to the finding identified in our audit is included in the Findings, Recommendations, and Views of Responsible Officials of the Auditee 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.

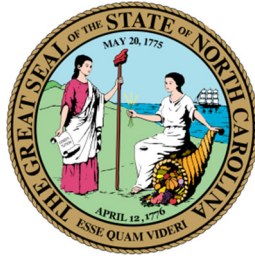
*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this transmittal.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 22, 2021



# **FINDINGS, RECOMMENDATIONS, AND VIEWS OF RESPONSIBLE OFFICIALS OF THE AUDITEE**

## **Matters Related to Federal Compliance Audit Objectives**

### **CFDA 16.575 – CRIME VICTIM ASSISTANCE**

#### **INADEQUATE SUBRECIPIENT MONITORING**

The Department did not adequately monitor \$68.9 million in federal funds passed to state agencies, non-profits, and other organizations (collectively called subrecipients) for providing assistance to crime victims.

Auditors reviewed a sample of 60 out of 4,450 reimbursement requests paid to subrecipients and found that 10 of 60 (17%) requests were paid without supporting documentation for the amount being requested.

Auditors then requested the Department to obtain the missing supporting documentation for those 10 payments from the subrecipients. Upon reviewing the support for these 10 payments, auditors discovered that documentation for 4 of the 10 payments did not support the amount paid. Payments totaling \$2,098 are being questioned.<sup>1</sup>

In addition, auditors reviewed the risk assessment procedures over projects awarded to subrecipients during the audit period. The Department's monitoring plan requires a risk assessment for all projects within 90 days of the project assignment to the grant manager. Auditors reviewed a sample of 70 of the 175 projects awarded during the audit period and found that risk assessments for 4 (6%) of the projects were performed 10-59 days late.

As a result, the Department may be required to pay \$2,098 back to the United States Department of Justice. Furthermore, inadequate monitoring increased the risk that federal funds would not be used in accordance with the federal requirements, which could have reduced funding available for the victims of sexual assault, domestic abuse, child abuse, and other crimes.

According to Department management, new employees were still learning the monitoring requirements and made unintentional errors that were not detected. Further, management did not have adequate policies and procedures in place to ensure sufficient monitoring was performed.

However, federal regulations<sup>2</sup> required the Department 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.
- Evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

<sup>1</sup> Even though the tests identified only \$2,098 in questioned costs, if extended to the entire population, questioned costs could exceed \$25,000. 2 CFR 200.516(a)(3) requires auditors to report known questioned costs when likely questioned costs are greater than \$25,000.

<sup>2</sup> 2 CFR 200.332 (b)(d)

**This finding was previously reported in the 2019 Statewide Single Audit as finding number 2019-001.**

*Federal Award Information:* Federal Awarding Agency: U.S. Department of Justice; CFDA Number (title) 16.575 (Crime Victim Assistance); Federal Award Identification Number (award periods): 2016-VA-GX-0075 (October 1, 2015 – September 30, 2019); 2017-VA-GX-0050 (October 1, 2016 – September 30, 2020); 2018-V2-GX-0061 (October 1, 2017 – September 30, 2021).

*Recommendation:* Department management should ensure new employees are properly supervised while they are learning the monitoring requirements.

Additionally, management should develop policies and procedures to ensure subrecipients are adequately monitored such as thorough reviews of reimbursement requests and a tracking tool to ensure risk assessments are performed within the required time period.

*Views of Responsible Officials of the Auditee:* See pages 6-7 for the North Carolina Department of Public Safety's response to this finding.





## North Carolina Department of Public Safety

*Prevent. Protect. Prepare.*

Roy Cooper, Governor

Erik A. Hooks, Secretary

February 18, 2021

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: North Carolina Department of Public Safety- Federal Compliance Audit

Dear Auditor Wood:

I am in receipt of your letter dated February 1, 2021 and the accompanying Audit Findings and Recommendations related to the federal compliance audit of the Department of Public Safety for the state fiscal year ending June 30, 2020. The audit covered federal grants administered by the Division of Emergency Management, the Office of Recovery and Resiliency, and the Governor's Crime Commission.

For the Governor's Crime Commission (Commission), the audit addressed the state fiscal year that ended June 30, 2020 and covered the Victims of Crime Act (VOCA) funding for FFY 2016, 2017, 2018 and 2019.

The Department accepts the findings by the Office of the State Auditor (OSA) that the Commission did not adequately monitor federal funds passed through the Commission to subrecipients.

Regarding each of the findings:

- 1) Adequately review reimbursement requests

The Department acknowledges the report's findings regarding inadequately reviewed reimbursements totaling less than \$2100 of the \$68.9 million reviewed by the auditor. The Commission has undertaken more staff training and professional development.

- 2) Perform required risk assessments

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DPS – Federal Compliance Audit  
February 18, 2021

The Department acknowledges that while 100% of all risk assessments were completed, 4 of the 175 projects received their risk assessment outside of the prescribed timeline. The Commission has ensured that 100% of required pre-award risk assessments were completed prior to opening grants for FFY beginning October 1, 2020. The Commission also encourages all grant managers to complete risk assessments as soon as they are able once a project has been assigned to them. The workflow within our online Grants Management System has also been improved to remind grant managers to complete their risk assessments in a timely fashion.

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

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  
Tara Williams-Brown, Controller  
Tim Harrell, Internal Audit Director  
Caroline Valand, Executive Director, Governor's Crime Commission  
Katrina Agasino, Director of Federal Compliance, Governor's Crime Commission  
Jim Klinger, Financial Chief, NC Office of Recovery and Resiliency  
Michael A. Sprayberry, Director, Division of Emergency Management

# ORDERING INFORMATION

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