

**CABARRUS COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	No
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major federal programs:	
• Material weakness identified?	No
• Significant deficiency identified?	No
Type of auditors' report issued on compliance for major federal programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major federal programs:

<u>Federal Program/Cluster Name</u>	<u>CFDA Number</u>
Subsidized Child Care Program (cluster)	93.575, 93.596, 93.667, 93.558
Medicaid	93.778
Supplemental Nutrition Assistance Program	10.561
TANF	93.558
State Children's Insurance Program (CHIP)	93.767

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$3,000,000</u>
Auditee qualified as low-risk auditee?	No

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### State Awards

Internal control over major State programs:

- Material weakness identified? No
- Significant deficiency identified? No

Type of auditors' report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of major State programs:

### Program Name

Subsidized Child Care Cluster  
Medicaid Cluster  
TANF  
State Children's Insurance Program (CHIP)  
State/County Special Assistance for Adults  
Smart Start  
N.C. Department of Transportation  
Community Transportation Program

# CABARRUS COUNTY, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2010

### Section II - Financial Statements Findings

#### **Finding 2010-01: Social Services Trust Fund Findings and Violations**

**Criteria:** Management should have a system in place to reduce the likelihood of errors in financial reporting and to ensure compliance with the General Statutes and other Administrative Codes (DSS and SSA).

**Condition:** A few trustee accounts had negative balances during the year. Monies belonging to beneficiaries who are no longer trustees of the county were not returned to social security in a timely manner. Beneficiary funds are not set up in a bank account separate from other organizational funds as required by the Social Security Administration.

**Context:** While documenting the system of internal controls related to the DSS trust funds, via inquiry and examination of client detail, we noted the conditions detailed above.

**Effect:** Trust funds held by the County may be expended improperly, in violation of NC General Statutes and the DSS trust agreement. Potential violations may not be detected in a timely manner.

**Cause:** Inadequate internal controls over DSS trust funds.

**Recommendation:** The Finance Officer of the County should review the Trust Fund detail on a regular basis to ensure that proper accounting for trust funds is occurring. Care should be taken to remit funds of deceased individuals to the Social Security Administration timely. A separate bank account should be opened to ensure compliance with Social Security Administration requirements.

**Name of Contact Person:** Pam Graham, Administrative Officer I; Pamela S. Dubois, Deputy County Manager

**Management's Response:** In order to maintain adequate internal control over the trust accounts maintained by the staff at DSS and prevent further errors from going undetected, the following new procedures have been put in place. All Payee account balances will be reviewed at least quarterly by a staff member at DSS and the County Finance department.

In response to the separate bank account, the past Finance Director had a conversation with Social Security about not setting up a separate checking account for the payee accounts. Our understanding of the outcome of that conversation, the payee accounts have been set up in a trust fund with each payee having its own individual ledger account to keep each payee's monies segregated but that the monies would be deposited in the central depository of the County. With a central depository, each fund has its share of monies segregated from the other funds.

Management has been notified that Social Security wishes for a separate checking account be established for the payee accounts. Through a conversation with Loretta Nobles, Assistant District Manager, Charlotte, NC of Social Security, the County can maintain the payee accounts in the separate trust fund as well as the combined Central Depository as before but the County has also agreed to allocate interest on a quarterly basis to each payee based on their cash balance at the end of the quarter. This was approved on August 9, 2010.

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**Section III - Federal and State Award Findings and Questioned Costs**

None reported