

BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses ___X yes ___none reported

Noncompliance material to financial statements noted ___yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses? ___X yes ___none reported

Type of auditor's 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 Circular A-133 ___X yes ___no

Major federal programs for Buncombe County for the fiscal year ended June 30, 2009 are:

<u>Program Name</u>	<u>CFDA #</u>
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557
Temporary Aid For Needy Families	93.558
Child Care & Development Fund	93.558, 93.575, 93.596, 93.667
Title XIX Medicaid	93.778

The threshold for determining Federal Type A programs for Buncombe County is \$3,000,000.

Buncombe County does qualify as a low risk auditee under Section .530 of Circular No. A-133.

BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___yes Xno

- Significant Deficiency(s) identified
that are not considered to be
material weaknesses ___yes Xnone reported

Type of auditor's 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 ___yes Xno

Major State programs (over \$300,000) for Buncombe County for the fiscal year ended June 30, 2009 are:

Program Name

- Title XIX Medicaid
- Subsidized Child Care Program
- Human Service Transportation Management Program
- Rural Operation Assistance Program
- Child Care Quality & Availability (Regional Initiatives)
- Public Health General Aid to Counties/Preventive Health
- State Foster Care Benefits Program

BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

II. Financial Statement Findings

Finding 09-1

Criteria: G.S. 159-8(a) states that all moneys received and expended by a local government or public authority should be included in the budget ordinance.

Condition: Project Development Bonds for Woodfin expenditures exceeded appropriations by \$379,582.

Recommendation: Budget amendments should be adopted when expenditures exceed estimated expenditures in the budget ordinance prior to expending the funds.

Current Status / Corrective Action plan / View of Responsible Officials: The County agrees with this finding. Budget and Finance staff have been assigned to monitor the PDF Woodfin Fund to assure that budget amendments are done monthly as needed for Board approval.

Name of Contact Person: Donna B. Clark, Finance Director

Finding 09-2

Criteria: Under GASB Statement 34 as amended by GASB Statement 37, all ancillary costs incurred during the construction of assets should be included in the cost of the asset to be capitalized and depreciated. For assets constructed for use in business-type activities of the government, interest on amounts borrowed for the construction is generally included as an ancillary charge. However, GASB 34, as amended, removed the requirement to capitalize interest on the construction of capital assets to be used in governmental activities, but did not explicitly prohibit it.

Condition: During the periods from 2004 to 2008 the County capitalized interest on amounts borrowed to finance the construction of a major asset to be used in governmental activities. As described in Note 8, a prior period adjustment was made to remove interest from the cost of the asset.

Questioned Cost: Depreciation had not begun on the asset described above; therefore, there are no questioned costs.

Recommendation: We recommend that the County implement an annual review of their application of accounting principles to respond to new accounting standards or changes in the operations of the County.

Current Status / Corrective Action Plan / View of Responsible Officials: The County believes the capitalization of construction period interest was within the spirit of full accrual intended by GASB 34. Since GASB 34 does not explicitly prohibit this accounting treatment, the County disagrees with this finding. However, the County has made the adjustment and will not capitalize interest on future governmental assets in order to present financial statements that are consistent in presentation to other governments.

Name of Contact Person: Donna B. Clark, Finance Director

BUNCOMBE COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2009

III. Federal Award Findings and Questioned Costs

Finding 09-3

U.S. Department of Agriculture

Passed through the North Carolina Department of Health and Human Services
Program name: Food Stamp Program – Direct Benefit Payment

Criteria: Counties must maintain adequate case documentation to substantiate claim entries in EPICS.

Condition: Tests of the EPICS documentation maintained by the County revealed that a program integrity file was missing for a food stamp program claim entered into the system.

Questioned Costs: The claim for recoupment of funding was previously entered into the EPICS system and recent collections have been made on the outstanding balance. Therefore, there are no questioned costs associated with this finding.

Recommendation: A review of the record retention schedule and the program integrity guidelines should be reviewed with the appropriate staff members.

Current Status / Corrective Action plan / View of Responsible Officials: The County agrees with this finding. A third-party vendor has been contracted to provide assistance with file storage and archiving to improve file maintenance and accessibility and prevent future occurrences of missing files. Custody of the files has been turned over to the vendor.

Name of Contact Person: Amanda Stone, DSS Director

IV. State Award Findings and Questioned Costs

None reported.