

GOING FURTHER

DURHAM COUNTY, NORTH CAROLINA

**REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS IN ACCORDANCE
WITH THE UNIFORM GUIDANCE AND
GOVERNMENT AUDITING STANDARDS**

FOR THE YEAR ENDED JUNE 30, 2025



DURHAM COUNTY, NORTH CAROLINA

SINGLE AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**To the Board of County Commissioners
Durham County
Durham, North Carolina**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Durham County, North Carolina** (the "County") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 18, 2026. Our report includes a reference to other auditors who audited the financial statements of the Durham County Board of Alcoholic Control (the "ABC Board"), as described in our report on the County's financial statements. The financial statements of the ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal controls over financial reporting or compliance and other matters associated with the ABC Board or that are reported on separately by those auditors who audited the financial statements of the ABC Board.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002, and 2025-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Durham County, North Carolina's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Raleigh, North Carolina
March 18, 2026



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal and State Awards in Accordance with Applicable Sections of the OMB Uniform Guidance and the State Single Audit Implementation Act

**To the Board of County Commissioners
Durham County
Durham, North Carolina**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Durham County, North Carolina's** (the "County") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2025. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying schedule of findings and questioned costs as item 2025-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Durham County, North Carolina's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-004 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 18, 2026, which contained unmodified opinions on those financial statements, and which refers to the work of other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Raleigh, North Carolina
March 18, 2026



Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal and State Awards in Accordance with Applicable Sections of the OMB Uniform Guidance and the State Single Audit Implementation Act

**To the Board of County Commissioners
Durham County
Durham, North Carolina**

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited **Durham County, North Carolina's** (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major state programs for the year ended June 30, 2025. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major state program for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major state program.

Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's state programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act

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Mauldin & Jenkins, PLLC

Raleigh, North Carolina
March 18, 2026

DURHAM COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2025**

Federal Agency/Pass-through Entity Pass-through Division/Program Name	Federal Assistance Number	Pass-through Subrecipient's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
FEDERAL AWARDS					
<u>U.S. Dept. of Agriculture</u>					
Passed through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
Supplemental Nutrition Assistance Program (SNAP) Cluster					
Food Stamp Administration	10.561	235NC406S2514	\$ 5,718,290	\$ 21,647	\$ -
Division of Public Health:					
Administration:					
Food Nutrition Administration (FNS/DINE Program)	10.561	245NC416Q3903	1,096,103	-	-
Total SNAP Cluster			<u>6,814,393</u>	<u>21,647</u>	<u>-</u>
Division of Public Health:					
Administration:					
Women, Infants & Children (WIC)	10.557		114,011	-	-
Total U.S. Dept. of Agriculture			<u>6,928,404</u>	<u>21,647</u>	<u>-</u>
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed through the N.C. Housing Finance Agency					
Passed through the City of Durham:					
Housing Opportunities for Persons with Aids (HOWPA) Program	14.241	(NCH22 & 23) - F004	123,170	-	-
Total U.S. Dept. of Housing and Urban Development			<u>123,170</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>					
Passed through the N.C. Dept. of Public Safety:					
National Asset Seizure Forfeiture Program					
State Criminal Alien Assistance Program (SCAAP)	16.922		15,784	86,061	-
	16.606	NONE	25,090	-	-
Building Bridges (COSSUP)					
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.838	15PBJA-21-GK- 01074-MUMU	6,906	-	-
Hayti Reborn Justice Assistance	16.738	FAW-169344	99,938	-	-
Total U.S. Dept. of Justice	16.753	BRND	<u>244,315</u>	<u>-</u>	<u>-</u>
			<u>392,033</u>	<u>86,061</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Dept of Transportation					
Division of Public Transportation:					
Hazardous Materials Emergency Preparedness (HMEP)	20.703		54,878	-	-
Total U.S. Dept of Transportation			<u>54,878</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of the Treasury</u>					
Direct Assistance					
American Rescue Plan (ARPA)	21.027		26,030,956	-	-
Federal Forfeiture (Treasury)	21.016		8,511	-	-
Passed through City of Durham					
ARPA Reentry Grant	21.027		15,535	-	-
Passed through N.C. Dept. of Cultural and Natural Resources					
State Aid to Libraries	21.027	297318	20,294	-	-
Passed through the N.C Dept of Environmental Quality					
Stream Restoration (Whispering Pines - Phase I)	21.027		111,324	-	-
Total U.S Dept. of the Treasury			<u>26,186,620</u>	<u>-</u>	<u>-</u>
<u>U.S Department of the Interior (Libraries)</u>					
Passed through N.C. Dept of Cultural and Natural Resources					
LSTA Grant	45.312		1,884	-	-
LSTA Meet the Maker	45.312		37,996	-	-
Teaching Teach	45.312		2,279	-	-
Total U.S. Department of the Interior (Libraries)			<u>42,159</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Health and Human Services</u>					
Substance Abuse and Mental Health Services Administration (SAMHSA)					
MAT - First Responders (OES)	93.959		14,217	-	-
Total SAMHSA			<u>14,217</u>	<u>-</u>	<u>-</u>
Passed through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	12642680EX 1330002B150G006	46,113	-	-
State Maternal Health Innovation Program	93.110	3001 2360272CNF	8,803	-	-
CDC Tuberculosis Project	93.116	2360455400 1 CPIMP211241-01-	24,257	108,458	-
Minority Health Grant-Bull City Strong OMH Grant	93.137	00	301,831	-	-
COVID-19 Vaccines	93.268	1331627DVP	121,965	-	-

(Continued)

DURHAM COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2025**

Federal Agency/Pass-through Entity Pass-through Division/Program Name	Federal Assistance Number	Pass-through Subrecipient's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
FEDERAL AWARDS (CONTINUED)					
U.S. Dept. of Health and Human Services (Continued)					
Passed through the N.C. Dept. of Health and Human Services (Continued):					
Division of Public Health (Continued):					
Immunization and Vaccines for Children	93.268	CDC-RFA-IP19-901	\$ 53,859	\$ -	\$ -
Tobacco Control Program	93.387	75-0943-0-1-551	67,289	11,012	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	56-2721-1-1-101	5,935	-	-
ARPA School Health Team Workforce	93.354		71,634	-	-
Breast & Cervical Cancer (BCCP)	93.898	1320559900	8,125	6,500	-
Refugee Health Assessments	93.566	2301NCRMA	210,165	-	-
Preventive Health Services-STD Diseases Control Grants	93.977	NH25PS005152	193,449	-	-
Investment in Performance Management	93.967		14,348	-	-
PH Infrastructure Local Workforce Development	93.967		60,000	-	-
Bridge Access Program	93.268		148,430	-	-
Total of Division of Public Health			1,336,203	125,970	-
Health Resources and Service Administration					
Lincoln Capital Assist. Response & Recovery Efforts (CARE)	93.224	C16CSS0465-01-00	768,663	-	-
Title X Family Planning	93.217	23A1592BFP	120,392	-	-
Comprehensive Suicide Prevention	93.136	23A15735AP	7,186	-	-
Preventive Health Services Block Grant (Healthy Communities)	93.991	23A15107AP	-	34,274	-
Maternal Health(MH_HMHC)	93.994	23A15740AP	68,786	-	-
MCH Block Grant					
Child Care Coordination	93.994	23715318AP	76,447	-	-
Triple P	93.994		226,292	282,084	-
Healthy Mothers Healthy Children(CH,WH, FP)	93.994	2371574500	118,968	170,779	-
Child Fatality Prevention	93.994	23715351AP	2,880	-	-
HIV CARE-Ryan White	93.917		232,256	-	-
TANF-LARC	93.558		40,965	-	-
Total Health Resources and Service Administration			1,662,835	487,137	-
Division of Aging:					
Aging Cluster:					
Special Programs for the Aging - Title III-C (Central Pines)	93.045	22-23 AANCT3HD	813,003	-	-
Total Aging Cluster			813,003	-	-
SSBG - In Home Service Fund	93.667	2301NCSOSR	120,694	-	-
SSBG - Adult Protective Service	93.667	2301NCSOSR	22,281	-	-
SSBG - Adult Day Care	93.667	2301NCSOSR	97,833	116,706	-
SSBG-Other Service and Training	93.667	2301NCSOSR	1,537,400	-	-
Total Social Services Block Grant			1,778,208	116,706	-
HIV Cluster:					
HIV Prevention activities Health Department Based	93.940	23A1570000 23114541BN 2311981FHV	198,074	20,962	-
Total HIV Cluster			198,074	20,962	-
Division of Social Services:					
Administration of Children and Families					
Foster Care:					
IV-E CPS	93.658	2301NCC1LP	159,102	212,791	-
IV-E ADMIN Foster Care	93.658	1701NCFOST	3,935	-	-
IV-E Foster Care TRN	93.658	2301NCC1LP	26,522	-	-
IV-E Foster Care/OFF TRN	93.658	2301NCC1LP	1,758,937	-	-
Pre- training CWS	93.658		72,469	299	-
IV-E Foster Care	93.658		1,092,193	306,870	-
Total Foster Care			3,113,158	519,960	-
Adoption:					
IV-E Adoption/OFF TRN	93.659	2301NCC1LP	321,933	-	-
IV-E Optional Adopt	93.659	2301NCC1LP	1,308	-	-
Total Adoption			323,241	-	-
Special Child Adoption Fund (Adoption Promotion Program Fund)					
Family Preservation	93.556	G2301NCFPSS	61,164	-	-
Permanency Planning (SVC & ADM)	93.645	G2301NCCWSS	92,286	-	-
Total Special Child Adoption Fund (Adoption Promotion Program Fund)			153,450	-	-

(Continued)

DURHAM COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2025**

Federal Agency/Pass-through Entity Pass-through Division/Program Name	Federal Assistance Number	Pass-through Subrecipient's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
FEDERAL AWARDS (CONTINUED)					
<u>U.S. Dept. of Health and Human Services (Continued)</u>					
Passed through the N.C. Dept. of Health and Human Services (Continued):					
Division of Social Services (Continued):					
Administration of Children and Families (Continued)					
Work First Administration	93.558	2301NCTANF	\$ 616,304	\$ -	\$ -
Work First Service	93.558	2301NCTANF	1,803,879	-	-
Title IV D - Child Support Enforcement	93.563	2301NCCES	3,688,207	-	-
Refugee Assistance	93.566	2301NCRMA	11,723	-	-
Low Income Energy Administration - Regular	93.568	2301NCLIEA	203,841	-	-
Independent Living - (LINK)	93.674	2301NC1420	60,060	15,015	-
			<u>6,384,014</u>	<u>15,015</u>	<u>-</u>
Division of Child Development:					
Subsidized Child Care Cluster					
Child Care and Development Fund -Mandatory	93.596	2301NCCDF	1,081,988	-	-
Total Subsidized Child Care Cluster			<u>1,081,988</u>	<u>-</u>	<u>-</u>
Division of Medical Assistance:					
Health Care Financing Administration					
Health Choice	93.767	CHIP23	1,211,052	388,058	-
			<u>1,211,052</u>	<u>388,058</u>	<u>-</u>
Medicaid Cluster:					
Adult Care Home Case Management	93.778	XIX-MAP23	312,724	26,906	-
Medical Assistance Administration	93.778	XIX-MAP23	12,890,364	653,115	-
Medical Transportation Administration	93.778	XIX-MAP23	238,545	-	-
State County Special Assistance	93.778	XIX-MAP23	435,765	-	-
Medical - MAC	93.778	XIX-MAP23	924,263	-	-
Total Medicaid Cluster			<u>14,801,661</u>	<u>680,021</u>	<u>-</u>
Passed-through the N.C. Dept. of Health and Human Services					
FR-CARA	93.243		207,377	-	-
Total U.S. Dept. of Health & Human Services			<u>33,078,481</u>	<u>2,353,829</u>	<u>-</u>
<u>U.S. Dept. of Homeland Security</u>					
Passed-through the N.C. Dept. of Public Safety					
Emergency Management Performance Grant (EMPG)	97.042	EMA-2022-EP-00005-2220031	131,353	-	-
Emergency Operations Center Grant Program (EOCGP)	97.052	C24EOCGP001	637,195	-	-
Homeland Security Grant Program (HSGP)	97.067	24HSGP012	-	20,873	-
Total U.S. Dept of Homeland Security			<u>768,548</u>	<u>20,873</u>	<u>-</u>
Administration of Child & Family Services					
Passed-through the Positive Childhood Alliance (PCANC)					
Welcome Baby PCANC	93.590		11,721	-	-
Total Administration of Child & Family Services			<u>11,721</u>	<u>-</u>	<u>-</u>
<u>U. S. Dept. of Energy</u>					
Passed-through EPA					
NC Energy Burden & Emissions Reduction Program (EBERP)	81.128	24SE000409	887	-	-
Total U.S. Dept. of Energy			<u>887</u>	<u>-</u>	<u>-</u>
Total Federal Awards			<u>67,586,901</u>	<u>2,482,410</u>	<u>-</u>
STATE AWARDS					
<u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services:					
Emergency Placement (Foster Care)		NONE	-	95,919	-
Child welfare			-	186,363	-
Foster Care Kinship			-	57,664	-
Foster Care- State			-	296,880	-
Total Division of Social Services			<u>-</u>	<u>636,826</u>	<u>-</u>
Division of Public Health:					
ARPA TSF Public Health Services(121)		1312042BTS19020 004	-	100,000	-

(Continued)

DURHAM COUNTY, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2025**

Federal Agency/Pass-through Entity Pass-through Division/Program Name	Federal Assistance Number	Pass-through Subrecipient's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients
STATE AWARDS (CONTINUED)					
<u>N.C. Dept. of Health and Human Services (Continued)</u>					
State Aid to Counties		116141100023	\$ -	\$ 167,713	\$ -
CSHS Special Nutrition Project(353)		NONE	-	19,328	-
General Communicable Diseases Control(510)		117545100023	-	21,137	-
School Nurse Funding Initiative(803)		133253580023	-	89,626	-
Food & Lodging		NONE	-	54,629	-
Communicable Disease Pandemic(546)			-	204,183	-
Healthy Communities(886)			-	34,274	-
MCH Improvement Grants(164)			-	447,681	-
Total Division of Public Health			-	1,138,571	-
Total N.C. Dept. of Health and Human Services			-	1,775,397	-
<u>N.C. Dept. of Environmental Quality</u>					
Soil and Water Conservation			-	46,142	-
Bioretention Project			-	1,582	-
Stormwater Education			-	47,724	-
Total NC Department of Environmental Quality			-	47,724	-
<u>N.C. Dept. of Agriculture</u>					
Farmland Protection			-	5,000	-
Total N.C. Dept. of Agriculture			-	5,000	-
<u>N.C. Attorney General</u>					
Smithfield Agreement Environmental I (EEG)			-	178,139	-
Total N.C. Attorney General			-	178,139	-
<u>N.C. Dept. of Adult Correction</u>					
Local Reentry Council (LRC)			-	18,801	-
Total N.C. Dept. of Adult Correction			-	18,801	-
<u>N.C Cooperative Extension</u>					
KVD Community Outreach			-	11,561	-
Food Security Grant (State)			-	20,315	-
Welcome Baby			-	33,764	-
Total Cooperative Extension			-	65,640	-
<u>N.C. Dept of Public Safety</u>					
JCPC - Community Based Alternatives			-	727,404	-
MAT in Jails - (NCDPS)			-	7,751	-
Governor Crime Commission (GTL Grant)			-	43,400	-
Total N.C. Dept. of Public Safety			-	778,555	-
<u>N.C. Dept of Military and Veterans Affairs (NCDMVA)</u>					
Veterans Services Grant			-	2,273	-
Total N.C. Dept. of Military and Veterans Affairs (NCDMVA)			-	2,273	-
<u>N.C. Dept. of Natural and Cultural Resources</u>					
State Aid to Libraries			-	311,764	-
Total N.C. Dept. of Natural and Cultural Resources			-	311,764	-
<u>N.C. Dept of Public Instruction</u>					
Child Nutrition Program		2332530100	-	5,324	-
Total N.C. Dept. of Public Instruction			-	5,324	-
<u>N.C Dept. of Transportation</u>					
(ROAP/EDTAP)			-	271,146	-
Governors Highway Safety Grant		NONE	-	3,006	-
Total N.C. Dept. of Transportation			-	279,476	-
<u>Office of State Budget and Management</u>					
Public School Building Capital Fund		NONE	-	3,529,559	3,529,559
Total Office of State Budget and Management			-	3,529,559	3,529,559
<u>Other Financial Assistance</u>					
Opioid Settlement Fund		NONE	-	827,954	-
Total Other Financial Assistance			-	827,954	-
Total State Awards			-	8,003,421	-
TOTAL FEDERAL AND STATE AWARDS			\$ 67,586,901	\$ 8,003,421	\$ 3,529,559

DURHAM COUNTY, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOTE 1. BASIC PRESENTATION

The schedule of expenditures and federal and state awards (the "Schedule") presents the activities of all federal and state financial award programs of Durham County, North Carolina (the "County") for the year ended June 30, 2025. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included in the Schedule. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements* ("Uniform Guidance") and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the County, it is not intended to present the financial position, changes in net assets or cash flows of the County.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Expenditures reported on the Schedule are presented using the modified accrual basis of accounting method. This method is consistent with the method used to prepare the County's basic financial statements.

Cost Principles

The cost principles applicable to the expenditures on the Schedule include Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These principles identify certain types of expenditures that are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

The County has not elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

DURHAM COUNTY, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOTE 4. CLUSTER PROGRAMS

The following federal programs are clustered by the N.C. Department of Health and Human Services and are treated separately for state audit requirement purposes:

Special Children Adoption Fund – State Cluster 93.556; 93.558; 93.603; and 93.645

Refugee and Entrant Assistance – State Cluster 93.566 and 93.576

Aging – State Cluster 93.045

Foster Care, Adoption, and Guardianship Assistance Program – State Cluster 93.658 and 93.659

Work First Administration – State Cluster 93.558

Title IV D-Child Support Enforcement – State Cluster 93.563

Low-Income Energy Administration – State Cluster 93.568

Independent Living (LINK) – State Cluster 93.674

NOTE 5. OPIOID SETTLEMENT FUNDS

The North Carolina Department of Justice does not consider Opioid Settlement Funds either Federal or State financial assistance since they are from a settlement with major drug companies. Since these funds are subject to the State Single Audit Implementation Act, they are reported as Other Financial Assistance on the SEFSA and considered State awards for State single audit requirements.

DURHAM COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major state programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medicaid Cluster
93.558	Temporary Assistance for Needy Families (TANF)
93.659	Adoption Assistance
93.658	Foster Care
10.561	Supplemental Nutrition Assistance Program (SNAP)

Dollar threshold used to distinguish between type A and type B programs: \$2,027,607

Auditee qualified as low-risk auditee? No

DURHAM COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

**SECTION I
SUMMARY OF AUDIT RESULTS (CONTINUED)**

State Awards

Internal control over major state programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for
major state programs?

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with the State Single Audit Implementation Act?

X Yes _____ No

Auditee qualified as low-risk auditee?

No

Identification of major State programs:

Program Name

Public School Building Capital Fund – Lottery Proceeds

Opioid Settlement

Note: The following federal programs, previously identified, are also considered to be major State programs:

10.561 Supplemental Nutrition Assistance Program (SNAP), 93.658 Foster Care, 93.569 Adoption Assistance, and
93.778 Medicaid

DURHAM COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2025-001 Prior Period Adjustments

Criteria: Governmental entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). GASB standards require accurate accrual and reporting of compensated absences, systematic amortization of debt premiums and discounts over the life of the related debt, reconciliation and review of accounts receivable balances, and proper recognition of settlement revenues in accordance with eligibility and time requirements.

Condition: During our audit, we identified errors in previously issued financial statements that required prior period adjustments to beginning net position or fund balance. The adjustments are related to (1) overstated vacation leave liability, (2) improper amortization of debt premiums, (3) overstatement of general fund accounts receivables, and (4) misstatement of opioid settlement revenue and related deferrals. These adjustments were necessary to properly state long-term liabilities, deferred inflows/outflows, accounts receivables, and revenues in accordance with GAAP.

Context/Cause: During our audit for the year ended June 30, 2025, material misstatements in the opening balances of the County were identified and thus error corrections were required as follows:

- An error in recording of the accrued vacation liability resulted in a restatement to Governmental Activities' net position in the amount of \$785,672, the Stormwater fund's net position in the amount of \$4,657, and the Sewer fund's net position in the amount of \$11,514.
- An error in recording of the bond premium amortization using the straight-line method instead of the effective interest method resulted in a restatement to Governmental Activities' net position in the amount of \$30,059,490.
- An error in the recording of accounts receivable in the General fund that should have been cleared when the cash was received in previous years resulting in a restatement to the General fund's fund balance and the Governmental Activities' net position in the amount of \$3,433,412.
- An error in recording the opioid settlement revenue in the Opioid Settlement fund that should have been recognized in the previous year resulting in a restatement to the Opioid Settlement fund's fund balance and the Governmental Activities' net position in the amount of \$1,378,936.

Effect: As a result, beginning net position, long-term liabilities, deferred inflows/outflows, receivables, and revenues were misstated in prior periods. Audit adjustments were required to correct these balances. Without these corrections, the financial statements would not have been fairly stated in accordance with GAAP. Repeated errors of this nature increase the risk of material misstatement and reduce the reliability of financial reporting.

DURHAM COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

Recommendation: We recommend that management strengthen internal controls over financial reporting by implementing formal year-end closing procedures that include:

- Detailed reconciliation of compensated absences to support data.
- Maintenance and annual review of premium amortization schedules.
- Documented analysis of complex revenue transactions for proper GAAP recognition.
- Supervisory review of all significant accruals, deferrals, and amortization entries.

Auditee's Response: The County agrees with this finding.

2025-002 General Financial Reporting

Criteria: Internal controls should be in place to ensure that the financial statements properly report the revenue of the County and that the related balance sheet accounts are properly stated as of the point in time the financial statements are prepared, in accordance with GAAP.

Condition: Material audit adjustments were required to properly report general account balances of the County as of and for the fiscal year ended June 30, 2025.

Context/Cause: During our audit for the fiscal year ended June 30, 2025, audit adjustments were required to correct material misstatements in the reporting of the County's general account balances. The nature and magnitude of these adjustments are as follows:

- In the Opioid Settlement fund, an entry of \$161,022 was needed for revenue received within 90 days of fiscal year end.
- In the General fund, an entry of \$106,350 was needed for revenue received within 90 days of fiscal year end.
- In the General fund, an entry of \$1,312,993 was needed to record cash collections.
- In the Sewer fund, an entry for \$1,515,030 was needed to correct revenue with consumption reports.

Effects: Audit adjustments totaling \$3,095,395 were needed to correct account balances of the County as of and for the fiscal year ended June 30, 2025.

Recommendation: We recommend the County reconcile the balance sheet, each month, to the subsidiary ledgers in order to timely address variances in the account balance which are outside of expectation.

Auditee's Response: The County agrees with this finding.

DURHAM COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2025-003 Preparation of the Schedule of Expenditures of Federal and State Awards

Criteria: In accordance with 2 CFR 200 and the State Single Audit Implementation Act (the “Act”), an auditee must prepare a complete and accurate Schedule of Expenditures of Federal and State Awards (SEFSA) for the period covered by the auditee’s financial statements.

Condition: The County did not properly reconcile SEFSA amounts to the general ledger and audit confirmations prior to the commencement of the audit fieldwork.

Cause: The SEFSA was not reconciled to confirmations and general ledger balances timely for external financial reporting.

Effect: For the purpose of preparing and reporting federal and state award expenditures as required by the Uniform Guidance and the Act, certain amounts reported as expenditures pursuant to federal and state awards for the fiscal year ended June 30, 2025, required material adjustments to the SEFSA.

Recommendation: We recommend the County strengthen policies and procedures to prepare and review the SEFSA efficiently and effectively. Additionally, the County should provide training to appropriate staff related to preparation of the SEFSA.

Auditee’s Response: The County agrees with this finding.

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2025-004 Material Weakness – Eligibility Second Party Reviews

Information on the Federal Program: Temporary Assistance for Needy Families, Assistance Listing Number 93.558, U.S. Department of Health and Human Services, passed through the N.C. Department of Health and Human Services (NCDHHS), Division of Social Service.

Criteria: Per the DSS Administrative Letter for Economic and Family Service 07-2018, Work First Program Second Party Review Checklists must be completed at application and recertification for no less than 25% of the monthly ongoing Work First cases. The protocol must outline the persons responsible for completing the reviews and the process for follow-up as required. If second party reviews identify a trend in deficiencies; the County process for providing necessary training must also be outlined.

Condition: The County was not abiding by the State policy and procedures outlined above. Reviews were not taking place at the frequency level based on number of cases. The County only reviewed 5% of the required cases during the 2025 fiscal year.

DURHAM COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2025-004 Material Weakness – Eligibility Second Party Reviews (Continued)

Cause: The County completed second party reviews for 93 out of 1,875 cases during fiscal year 2025. The County did not meet the proper policy procedures of examining no less than 25% of cases.

Effect: Lack of appropriate levels of review occurring during the year increases the risk that the County could provide benefits to individuals that are not eligible to receive those benefits.

Recommendation: We recommend that the County abide by the State policies in terms of the frequency and amount of case reviews each month. We also recommend that policies and procedures are documented surrounding second party reviews and be reinforced to ensure that reviews are being completed and followed up as necessary.

Auditee's Response: The County agrees with this finding.

SECTION IV
STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

DURHAM COUNTY, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2025

2024-001 Significant Deficiency – Opioid Settlement Fund

Criteria: In entering into the Memorandum of Agreement (the “MOA”) with the State of North Carolina (the “State”) Durham County (the “County”), which serves as a State-Subdivision Agreement under the National Settlement Agreement (the national opioid settlement), the County is considered a direct party to the litigation. This results in accounting for these monies as an exchange-like transaction, whereby all revenue is recognized at the time the settlement is reached.

Condition: In the prior fiscal year, under the non-exchange type transaction method, revenue was only recognized to the extent received and not accrued.

Current Status: Repeat, 2025-001 and 2025-002

2024-002 Material Weakness – Fund balance/Net position

Criteria: An effective system of internal control contemplates that management prepare financial statements that are accurate and in accordance with GAAP. Part of achieving that objective requires maintaining accurate and complete general and subsidiary ledgers, along with records supporting the existence, completeness, and valuation of all assets, deferred inflows of resources, liabilities, deferred outflows of resources, net position/fund balance, revenues, and expenses/expenditures.

Condition: Annually, the County’s Department of Finance oversees the preparation, processing, and recoding of thousands of financial transactions that ultimately will be reflected in the Annual Comprehensive Financial Report produced within the County’s Department of Finance. During the external financial statement audit, an instance was identified requiring an adjustment in the financial statements as follows:

1. Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds related to the Capital Projects Fund did not reconcile with the expenditures reported in the Schedule of Expenditures Compared with Project Authorizations. A transaction was recorded in the Capital Project Fund to expense a loan receivable and create a deferred inflow for a loan which had not been formally approved by the Board of Commissioners for forgiveness. Additionally, creating a deferred inflow is the incorrect treatment to forgive a loan as the principal receivable is not a revenue stream. Once formally approved for forgiveness, a debit to expense and credit to A/R is the appropriate accounting treatment.

Current Status: Corrected.



FINANCE DEPARTMENT

SECTION III – SCHEDULE OF CORRECTIVE ACTION PLANS

II – Financial Statement Findings

Finding 2025-001

Prior Period Adjustments

Name of Contact Person(s): Conniecia Brown, Elana Jones, Stephano Claude, and Joseph Futima

Management agrees with finding.

Recommendation: We recommend that management strengthen internal controls over financial reporting by implementing formal year-end closing procedures that include:

- Detailed reconciliation of compensated absences to support data.
- Maintenance and annual review of premium amortization schedules.
- Documented analysis of complex revenue transactions for proper GAAP recognition.
- Supervisory review of all significant accruals, deferrals, and amortization entries.

Corrective Action Plan:

The County will conduct a comprehensive evaluation of its financial reporting processes and implement structural enhancements to further strengthen accuracy, documentation, and supervisory oversight. Durham County will formalize and maintain a checklist to support key areas such as compensated absences, premium amortization schedules, and other significant account balances.

The County has standardized the calculation methodology for compensated absences and implemented a documented validation process to ensure accurate application of retirement contribution percentages. The methodology will be formally documented and incorporated into the annual year-end close procedures, with required supervisory review and approval prior to posting. These adjustments affected prior fiscal periods; the strengthened controls described above are redesigned effectively in FY2026 to ensure compliance and prevent recurrence in future reporting periods.

The County previously utilized the straight-line amortization method for bond premiums and has transitioned to the effective interest method in accordance with applicable GASB standards.



FINANCE DEPARTMENT

DebtBook will be used to calculate and maintain amortization schedules, and periodic reviews will be performed to ensure that both annual amortization amounts and unamortized bond premium balances are accurately recorded in compliance with GAAP and GASB requirements. While these adjustments affected prior fiscal periods, the strengthened controls described above were implemented in FY2026 and are designed to ensure ongoing compliance and prevent recurrence in future reporting periods.

During its review of receivable balances, the County identified amounts from prior fiscal periods that had not been cleared timely. In response, the County has implemented enhanced revenue monitoring controls, including layered review procedures over complex revenue transactions to support early identification of anomalies. Variances identified through this process will require written explanations from the responsible division and documentation. The County will continue to monitor receivable balances monthly using strengthened reconciliation checklists and supervisory oversight. While these adjustments affected prior fiscal periods, the enhanced controls implemented in FY2026 are designed to ensure continued compliance and prevent recurrence in future reporting periods.

The County has formalized a written revenue recognition policy aligned with GAAP and applicable GASB standards, specifically addressing nonexchange transactions, eligibility requirements, and availability criteria, including the 90-day availability rule where applicable. For complex or new revenue sources, the County will prepare a documented technical accounting analysis prior to recognition to ensure proper classification and timing.

The County will continue monitoring new GAAP and GASB guidance and enhance internal documentation of its review and implementation process as appropriate. Existing monthly reviews will be enhanced through continued financial analytics to further support for complex financial reporting. There will be ongoing training for the Finance staff to ensure continued alignment with evolving GASB and GAAP standards.

Implementation Date: Effective immediately and ongoing.



FINANCE DEPARTMENT

SECTION III – SCHEDULE OF CORRECTIVE ACTION PLANS

II – Financial Statement Findings

Finding 2025-002

General Financial Reporting

Name of Contact Person(s): Conniecia Brown and Crystally Wright

Management agrees with the finding.

Recommendation: We recommend the County reconcile the balance sheet, each month, to the subsidiary ledgers in order to timely address variances in the account balance which are outside of expectation.

Corrective Action:

The County will continue its ongoing monitoring of new GAAP and GASB standards and enhance the established monthly and quarterly trial balance review and reconciliation processes. To further strengthen technical application and consistency, additional professional training will be provided.

Implementation Date: Effective immediately and ongoing.

Finding 2025-003

Preparation of the Schedule of Expenditures of Federal and State Awards

Name of Contact Person(s): John Kenion and Ronda Doward

Management agrees with the finding.

Recommendation: We recommend the County strengthen policies and procedures to prepare and review the SEFSA efficiently and effectively. Additionally, the County should provide training to appropriate staff related to preparation of the SEFSA.



FINANCE DEPARTMENT

Corrective Action:

The County will strengthen policies and procedures for the preparation and review of the Schedule of Expenditures of Federal and State Awards (SEFSA). The Compliance Manager and Compliance Specialists will coordinate the SEFSA preparation process, ensure federal and state expenditures are accurately reported, and reconcile the schedule to the County's financial records.

Written procedures and a formal review process will be implemented to improve accuracy and efficiency. In addition, appropriate staff will receive training on SEFSA preparation and federal compliance requirements.

Implementation Date: Effective immediately and ongoing.

III – Federal Award Findings and Questioned Costs

Finding 2025-004

Material Weakness – Eligibility

Name of Contact Person(s): Lashonda Bacote and Latonya Chambers

Management agrees with the findings.

Recommendation: We recommend that the County abide by the State policies in terms of the frequency and amount of case reviews each month. We also recommend that policies and procedures are documented surrounding second party reviews and be reinforced to ensure that reviews are completed and followed up as necessary.

Corrective Action:

The Work First program has now implemented requirements that align with policy by ensuring a minimum review of 25% second party reviews are met monthly for all Work First cases. All reviews are documented in the Quality Control (QC) tool. The Assistant Director for QAT, will monitor monthly to ensure we meet the requirements. In addition, this tool is accessible to The Assistant Director for Work First, who will also monitor monthly and ensure that all benchmarks are met.



FINANCE DEPARTMENT

1. Review Process:

- QAT Supervisor and Staff Development Specialist (SDS): 25% of all applications completed in the month, 25% of all recertifications completed in the month, and 25% of all employment services cases completed in the month.
- Additionally, the Work First Cash Supervisor, Lead Worker, and Employment Supervisor will do monthly reviews to guarantee that we are above the 25% threshold.
- During vacancies, Work First staff listed above will have increased cases to review. The QAT Supervisor will identify other staff to assist. The QAT Staff Development Specialist will train other SDS staff on WF policies and procedures by April 1, 2026.

2. Policy/Training:

- Candice Leathers, Program Manager for QAT, reviewed the policy for the 25% threshold requirement for WF cases and reviewed the DSS ADMINISTRATIVE LETTER NO. ECONOMIC AND FAMILY SERVICES 7-2018 EFS_WF_AL-7-2018 Policy & Procedures with WF QAT Staff on both 09/04/25 and 10/9/2025.

Implementation Date: Effective immediately and on-going.

IV – State Award Findings and Questioned Costs

None