

STATE OF NORTH CAROLINA
Office of the State Auditor



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Based on research, it was determined that the direct benefit payments (i.e. payments for programs in which the County Department of Social Services (DSS) determines eligibility and the benefits are paid directly by the state to the participant) should only be reflected on the State's Schedule of Expenditures of Federal Awards (SEFA). Therefore, these direct benefit payments will NOT be shown on the County's Schedule of Expenditures of Federal and State Awards (SEFSA). County auditors should consider the following changes and how they could impact your single audit testing for the fiscal year 2018 (FY2018).

- Direct benefit payments paid by the State to or on behalf of participants that were shown at both the county level and State level will now be shown only at the State level. Programs that will be impacted by this change are as follows:
 - Medical Assistance (Medicaid)
 - Children's Health Insurance Program (CHIP)
 - Temporary Assistance for Needy Families (TANF)
 - Women, Infants, and Children (WIC)
 - Adoption Assistance (Title IV-E)
- County auditors will still perform specific eligibility testing to support the State's audit opinion as it relates to Eligibility for the above programs in the Single Audit. County auditors will submit an Agreed-Upon-Procedures (AUP) Report on compliance related to the respective program eligibility function only. (If the program is selected as a major program based on the assessment for that county, then county auditors will follow the appropriate standards.) County auditors will perform these procedures in accordance with the applicable Attestation Standards established by the American Institute of Certified Public Accountants. The results from this report will be used as substantive evidence to support the State's audit opinion. Detailed information related to this report and instructions will be forthcoming from the NC Office of the State Auditor.
- OSA will select the eligibility sample required to be tested and communicate these via the LGC to the County auditors. The sample will be pulled by the individual claim so that only the certification period for the selected claim will need to be tested.

- County auditors will be required to submit the AUP report through the LGC portal. The AUP Report should be named “Unit name-201x-Compliance AUP Attestation”. This report should be submitted once all the AUP work has been completed regardless if the overall audit has not been completed. This AUP report will be included as part of the overall report submission to the LGC. The AUP report will be subject to review and approval prior to the final amount of the contract being approved to be paid.
- One way that County auditors can determine the potential impact of this change for FY2018 would be to remove direct benefit payments from these programs on the FY2017 SEFSA and reassess what programs would be considered a major program.