


NORTH CAROLINA
DEPARTMENT OF STATE TREASURER




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STATE AND LOCAL GOVERNMENT FINANCE DIVISION

2022 Audit Review Update

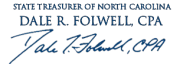
June 16, 2022
Manasa Cooper

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Agenda:

- Review of 2021 changes to the audit process
- Changes to the LGC Portals
- Changes to the Transmittal Document (TD) and Unit Data from Audit
- Changes to the Financial Indicators of Concern (FPIC)

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development and are subject to change.*



Revised Audit Review Processes:

- Changes in the **2021** audit process:
 - Introduced the LGC Portal to submit audit report and other documents.
 - Included the TD as part of the Data Input Workbook instead of a separate document.
 - Implementation of changes to invoicing procedures. The variable fee concept is no longer applicable.
 - Additional questions added to the Data Input for data collection.

These updates are still in the development phase and are subject to change

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Revised Audit Review Processes:

- Changes in the **2021** audit process:
 - Introduction of the Financial Indicators of Concern (FPIC).
 - FPIC worksheet is automatically populated when the Data Input worksheet is completed.
 - Auditor is required to present financial results to the board in a public meeting, including any FPICs.
 - After public presentation, the government must develop a response that reasonably addresses all material weaknesses, significant deficiencies, other findings, and FPICs.

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Changes to the 2022 Process-LGC Audit Portal

- Addition of drop-down to select the unit type
 - Only the unit names associated with the unity type will display in the unit name drop-down.
- Additional question asking if a compliance report is included and the type (Yellow Book, Federal or State Single audit or Federal and State Single Audit).
- Will include a section to record notes.
- For the Data Input submission, a new question asking for the number of significant deficiencies and material weaknesses (the same answers from the TD).

These updates are still in the development phase and are subject to change

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Changes to the 2022 Process- Contract Portal

- Changes include more automation. Automated emails will be sent when:
 - A contract or amended contract has been approved.
 - A contract or amended contract has been rejected and the reason (in most instances).
 - If follow up for a rejected contract or amended contract has not been received after a certain number of days.
 - Will still send customized emails depending on the situation.

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Changes to the 2022 Process- Invoice Portal

- Changes include more automation. Automated emails will be sent when:
 - An invoice has been approved.
 - An invoice has been rejected and the reason (in most instances).
 - An invoice has been put on hold and the reason (in most instances).
 - Will still send regular emails depending on the situation.

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Changes to the 2022 Process- TD and Unit Data from Audit

- New questions for internal controls on the TD-Separate internal control questions for untimely bank reconciliations and/or subsidiary ledgers, and records not ready to audit in a timely manner.
- Clarified other questions on the TD.
- New questions on Unit Data from Audit:
 - Amount transferred from Electric Fund to Electric Capital Project Fund
 - Questions for ARPA expenditures
 - Question for Powell Bill expenditures
 - Other questions/comments will be clarified

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Changes to the 2022 Process-Performance Indicator

- Will include a section that describes the rationale behind the thresholds and the change in the calculation of FBA %.
- Allows for an explanation if your unit falls below the FBA % threshold but you feel that your FBA % is still adequate. (Will still appear as an indicator).
- For the Water and Sewer and Electric cash flow indicators, interest expense will be included to capture the complete cash flow effect.
- Rework the electric transfer FPIC so that is applicable based on statute or electric policy.
- If a question has not been answered, this will be more clearly identified.

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Changes to the 2022 Process-Performance Indicator

- Lack of segregation of duties and lack of expertise will not be included as an indicator.
- Allows for an explanation if your unit falls below the FBA % threshold but you feel that your FBA % is still adequate. (Will still appear as an indicator).
- Data Input will include a separate worksheet showing the calculation for the FBA%.

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Changes to the 2022 Process-FBA Comparison

FBA comparison using population vs. expenditures-as of June 14, 2022

Municipalities

Units Below Threshold Based on Population Group		Units Below Threshold Based on Expenditures	
50,000 and Above	2 units	Above \$10,000,000	7 units
10,000 to 49,999	7 units	\$1,000,000 to \$9,999,999	21 units
2,500 to 9,999	16 units	\$100,000 to \$999,999	18 units
1,000 to 2,499	14 units	Below \$100,000	2 units
500 to 999	11 units		48 units total
499 and Below	7 units		
	57 units total		

Counties

Units Below Threshold Based on Population Group		Units Below Threshold Based on Expenditures	
100,000 an Above	0 units	Below \$100,000,000	3 units
50,000 to 99,999	1 units	\$100,000,000 and Above	0 units
25,000 to 49,999	3 units		3 units total
Below 25,000	3 units		
	7 units total		

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