

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



BRADFORD B. BRINER
STATE TREASURER OF NORTH CAROLINA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION

2024 Common Audit Review Issues

Becky Dzingeski
Assistant Director
Fiscal Management Section
State and Local Government Finance Division

Melissa Cundey
Accounting & Financial Management Advisor
Fiscal Management Section
State and Local Government Finance Division



Agenda:

Common Audit Review Issues

- Audit Contracts
- Invoices for Audit Work
- Financial Performance Indicators of Concern (FPICs)
- Response to Auditor's Findings & FPICs
- Audited Financial Statements: Common Issues
- Audit Document Submissions
- Applicable General Statutes and Administrative Code



Audit Contracts

- [LGC-205 Rev. 11/2024 Contract to Audit Accounts and LGC-205 Rev. 11/2023 Amendment to Contract to Audit Accounts](#) will be accepted for the 2025 fiscal year end audits.
- Do not email or mail audit documents or invoices to our office.
- Contracts and audit related documents are to be uploaded to the LGC Portal so they will be date- and time-stamped:
[Standard and Amended Audit Contracts | LGC File Transfer Portal](#)
- Engagement letters are agreements between unit and auditor only.
 - If there are conflicts between the terms of the engagement letter and the terms of the audit contract, the terms of the audit contract shall take precedence. (LGC-205)



Audit Contracts

- LGC staff must have reviewed the prior year audit, and all prior year invoices must be received and stamped as approved before the next fiscal year audit can be processed.
- The audit contract is not valid until it is approved by the Secretary of the LGC.
- Contracts must include:
 - The “Date the Audit Will Be Submitted to the LGC”
 - If the unit is behind:
 - The “Date the Audit Will Be Submitted to the LGC” should list the actual date not the past due date.
 - Include a high-level explanation of why the audit is late

Fiscal Year-End	Audit on time if received by	Audit is late if it is received on or after (Amended Contract Required)
30-Jun	31-Dec	1-Jan
31-Mar	30-Sept	1-Oct



Invoices for Audit Work

- All bills or claims for audit fees and audit-related costs shall be submitted in PDF format to the Secretary of the LGC for approval. Fee categories are noted on the LGC-205 contract.
- The Secretary may approve interim billings for services rendered under the audit contract up to a maximum of 75% of the billings for the unit's last annual audit submitted to the Secretary.
- Only invoices for fees related to the audit work are to be sent to and approved by the Secretary. Fees not related to the scope of annual audit work should be agreed to and billed separately / directly with the unit.
- Only invoices for audit work as specified in the audit contract that have been marked with LGC approval are to be paid by the unit. This is required by G.S. 159-34 and Administrative Code 20 NCAC 03 .0505 – Audit Billings.



Financial Performance Indicators of Concern (FPICs)

[20 NCAC 03 .0502](#)

- Financial Performance Indicators were developed to improve reporting and analysis of a given unit's financial performance.
- FPICs are performance indicator values that highlight any potential inadequate financial conditions to be brought to the attention of fiscal management.
- FPICs are required to be presented by the auditor to the unit's governing board within 45 days of submission of audit report to LGC Secretary.
 - FPICs should be available for finance officer review before the auditor's presentation to clarify any questions of the auditor and prepare a response.
- Units must begin corrective action to address FPICs as soon as possible.



Response to Auditor's Findings & FPICs

20 NCAC 03 .0508

- Due within 60 days of auditor's presentation to governing board
 - Must be signed by majority of board members
- Detailed response specifying the actions taken by the unit to fully address all audit findings & FPIC issues
 - Especially important if unit plans to come before the LGC for debt approval.
- Guidance on Financial Performance Indicators and Responses to the LGC
 - Elements of Responses to FPICs
 - Sample responses
 - Upload to Portal - FPIC Response | LGC File Transfer Portal
 - Do not mail or email the response
- Memo 2023-04 How to Respond to Financial Performance Indicators of Concern



Audited Financial Statements: Common Issues

- G.S. 159-29. Fidelity bonds – Amount of the bond may not be less than the greater of either:
 - \$50,000
 - Equal to 10% of ALL the unit's annually budgeted funds (ex: General Fund and Enterprise Funds), up to \$1 million

- Example:

General Fund.....	\$1,074,350
Enterprise Fund	<u>\$2,105,360</u>
Total – Annually Budgeted Funds	<u>\$3,179,710</u>
10% of Annually Budgeted Funds	\$317,917

In this example, the Finance Officer Bond should be no less than \$317,917



Audited Financial Statements: Common Issues

Issue: Risk Management note in the “Notes to the Financial Statements” was not updated to indicate the correct amount of the finance officer bond.

- Please confirm both the finance officer bond amount is in compliance with NC General Statutes and that the Risk Management note is correct.

Important while planning for the future fiscal year: Finance officer bond amount may be sufficient for current fiscal year but may not be for the following fiscal year with rising costs.

- Finance officer bond amounts should be reviewed when new fiscal year annual budgets are approved by the governing board, so the finance officer bond remains in compliance with G.S 159-29.



Audited Financial Statements: Common Issues

Notes to the Financial Statements –

- Long term debt note Revenue Bond Debt disclosures required by GASBS 48 and Item 11 of the [LGC-205 Standard Audit Contract](#)
 - Note disclosures required: pledged revenues, calculation demonstrating compliance with rate covenant and any other covenants required by bond documents
 - Revenue Bond disclosures not required for legally separate entities that report as stand-alone business-type activities whose operations are financed primarily by a single major revenue source (Ex: hospitals)
- See [Illustrative Financial Statements for the City of Dogwood, NC](#) for sample Revenue Bond disclosures.



Audited Financial Statements: Common Issues

Did the audit disclose any budget violations at the adopted ordinance level? (Yes or No)

G.S. 159-13. The budget ordinance; form, adoption, limitations, tax levy, filing.

“.....budget appropriations are to be made by department, function, or project and show revenues by major source.”

- Debt service and/or transfers between funds:
 - If all debt service (principal and interest) and all transfers are not budgeted, a statutory violation finding and/or Stewardship note must be noted.
 - Confirm the transfer notes in the audited financial statements agree with what is reported in the financial statements.



Audited financial Statements: Common Issues

Pre-Audit Requirement

- [G.S. 159-28. Budgetary accounting for appropriations.](#) Includes requirement for Pre-Audit of obligations and disbursements.

..Incurring Obligations. – No obligation may be incurred in a program, function, or activity accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year....

- Budget amendments must be made BEFORE the obligation is incurred, not after the budget is already over-expended.



Audit Document Submissions

- Audit reports cannot be reviewed without completion of the Data Input Workbook. **NEW: Data Input is now in the LOGOS system.**
- LOGOS data submission
 - Ensure the correct unit's name is selected
 - Provide correct unit and auditor contact names and email addresses
 - Please make sure that the CURRENT finance officer's name and email are CORRECT.
 - Emails from LGC staff sent to units/auditors do not reach intended recipients if email addresses are not correct. Subsequently, you will not be aware of audit status.



Applicable NC General Statutes and NC Administrative Code

NC General Statute

- [G.S. 159-13. The budget ordinance; form, adoption, limitations, tax levy, filing. \(b\)\(1\)](#)
- [G.S. 159-28. Budgetary accounting for appropriations.](#)
- [G.S. 159-29. Fidelity bonds](#)
- [G.S. 159-34. Annual independent audit; rules and regulations.](#)

NC Administrative Code

- [20 NCAC 03 .0502](#) – Audit Contracts
- [20 NCAC 03 .0505](#) – Audit Billings
- [20 NCAC 03 .0508](#) – Response to the Independent Auditor's Findings, Recommendations, and Fiscal Matters

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LOGOS Audit Module

Eric Faust, CPA
Assistant Director,
Fiscal Management Section
State and Local Government Finance Division



LOGOS Audit Module – Features Available 2025

- Replacement of the DIW worksheet with an automated interface
- Improved quality of data through data validation
- Will only display the questions applicable to the unit
- Any corrections needed will be communicated through the audit module instead of with an audit report communication (ARC). The auditor will only need to touch the data points that need correction.
- Auditor communication letters will be submitted through the LOGOS module.
- The audited financial statements will still need to be submitted through the LGC File Transfer Portal, the same as in prior years.



Getting your LOGOS account set up

- The LGC will send a link to a digital form to initiate the LOGOS account creation process.
- Municipalities and counties should already be familiar with LOGOS account creation due to filing the semi-annual LGC-203/COLL-91 report.
- The unit or the audit firm can initiate the process.
- In 2025, the unit will send the LGC confirmation that the firm needs access, after the initial step.
- In future years, this will be part of the audit contract process.
- Now that you know this is coming, be prepared, and the process will be quick and painless.



Sample Screenshots

- The following slides will have sample screenshots from the LOGOS module.
- You will see the questions are mostly the same as the Data Input Workbook questions.



Unit Questions Will Drive the Display/Suppression of Data Fields

- The questions with the red stars on the next slide will impact what questions there are on the following pages.
- This will save time for the user. For example, the user will no longer need to answer water/sewer questions if they do not have a water/sewer fund.



Audit Unit Details Screen

Audit Detail:

Unit Name: Fiscal Year: **2024** | Version: **1** | Audit Status: **In Progress**

Unit Information | **Audit Data** | **Notes/Files** | **Account List**

Unit Name	<input type="text" value="Unit's Name"/>	Fiscal Year	<input type="text" value="2024"/>
Report Being Edited By	<input type="text" value="Name of person entering data"/>	Audit Firm	<input type="text" value="Audit Firm's name"/>
Unit Primary Address	<input type="text" value="Unit's address"/>	Unit Classification	<input type="text" value="Municipality"/>
Current Finance Officer	<input type="text" value="Finance Officer's name"/>	Finance Officer at Fiscal Year End	<input type="text" value="Finance Officer's name"/>

Financial Officer information above is accurate? If it is not, please go to : [LGC File Transfer Portal: Finance Officer Updates](#)

Account#	Question	2024
1294	Auditor Email Address	<input type="text" value="Auditor's email"/>
1100	Is a water and/or sewer fund reported in the audited financial statements or does the unit have revenues, expenditures, capital assets or debt for a water and/or sewer system? The existence of, or lack thereof, a Stormwater fund should not have any bearing on the answer to this question.	★ <input type="text" value="--Select Option--"/>
1101	Is an electric fund reported in the audited financial statements or does the unit have revenues, expenditures, capital assets or debt for an electric system?	★ <input type="text" value="--Select Option--"/>
1104	Does unit have Law Enforcement Officer (LEO) pension assets, liabilities, and/or transactions recorded in their audited financial statements?	★ <input type="text" value="--Select Option--"/>
1107	Are Government-wide financial statements included in the submitted audited financial statements?	★ <input type="text" value="--Select Option--"/>

Release | **Save** | **Cancel** | **Next Tab**



Audit Module – Available for Fiscal Year 2025 Audits

LOGOS (Local Government System) is the system we are developing to help automate and streamline the submission and review of documents and information.

LOGOS currently consists of the LGC-203/COLL-91 module.

The DIW module will have the same look and feel as the LGC-203/COLL-91 module.



Data Validation Will Be Performed

We believe this will reduce the number of corrections required for unanswered questions.

• Please correct the validation errors before continuing.

Unit Name	Alamance	Fiscal Year	2024
Report Being Edited By	ITBPDataEntry Test	Audit Firm	Cobb, Ezekiel, Loy & Co. Graham
Unit Primary Address	PO BOX 96 Alamance NC 27201	Unit Classification	Municipality
Current Finance Officer	Gayle Andrews	Finance Officer at Fiscal Year End	Gayle Andrews

Financial Officer information above is accurate? If it is not, please go to : [LGC File Transfer Portal: Finance Officer Updates](#)

Account#	Question	2024
1296	Data entered into the application must be derived from the finalized audited financial statements. Have the audited financial statements have been finalized?	<div>--Select Option--</div> <div>*Field is required</div>
1294	Auditor Email Address	<div></div> <div>*Field is required</div>
1100	Is a water and/or sewer fund reported in the audited financial statements or does the unit have revenues, expenditures, capital assets or debt for a water and/or sewer system? The existence of, or lack thereof, a Stormwater fund should not have any bearing on the answer to this question.	<div>--Select Option--</div> <div>*Field is required</div>
1101	Is an electric fund reported in the audited financial statements or does the unit have revenues, expenditures, capital assets or debt for an electric system?	<div>--Select Option--</div> <div>*Field is required</div>
1104	Does unit have Law Enforcement Officer (LEO) pension assets, liabilities, and/or transactions recorded in their audited financial statements?	<div>--Select Option--</div> <div>*Field is required</div>
1107	Are Government-wide financial statements included in the submitted audited financial statements?	<div>--Select Option--</div> <div>*Field is required</div>



The data input screens will be in the same order and have the same account numbers as the prior year DIWs, with minor exceptions.

Governmental Activities			
Account#	Question	2023	2024
333	All unrestricted Cash and investments. Exclude restricted cash & cash held by a third party.	<input type="text" value="\$10,755,181"/>	<input type="text"/>
500	All restricted Cash and investments	<input type="text" value="\$6,133,079"/>	<input type="text"/>
385	Total Assets Include: Deferred outflows Exclude: Exclude negative internal balances	<input type="text" value="\$58,785,344"/>	<input type="text"/>
575	Record any positive Internal balances on the net position statements that appear in the Asset Section of the Net Position Statement	<input type="text" value="\$206,648"/>	<input type="text"/>
576	Record any negative Internal balances on the net position statements that appear in the Asset Section of the Net Position Statement. Enter as a positive	<input type="text" value="\$0"/>	<input type="text"/>



To prevent data loss and to allow frequent saving of your work, multiple save options have been provided both at the section level and tab level. We have a calculator available next to the input area for your convenience.

597	Amount of interest income and investment income recognized as revenue in your audit report for all governmental and proprietary funds. In the past we have asked you to adjust this number, but this year we would like the number as it appears on your Statement of Activities without adjustment.	<input type="text" value="\$1,095,490"/>	<input type="text" value="\$2,095,704"/>	
				<div>Save & Continue Cancel</div>
<div>Previous Tab Save Cancel Next Tab</div>				



We have added an error detection feature.

If an error is detected, such as beginning balances not tying to prior year ending balances, an error message will appear.

We believe this will reduce the number of corrections requested by LGC staff, saving the auditor and unit time and allowing staff to complete our reviews more quickly.

- Error: Total assets and deferred outflows less total liabilities and deferred inflows do not equal total net position. Account numbers 385-338-252-253 must = 254
- Error: Beginning Balance does not agree with our records. Account numbers 252+253+254-255-376-(Prior Year 252+253+254) must = 0
- Please note that not all account numbers are applicable for all unit types. Account number(s) shown in formula(s) that are not available for data entry are not applicable for your unit type.

✓ Statement of Net Position	Government-Wide Financial Statements - Statement of Net Position			
✓ Statement of Activities	Governmental Activities			
	Account#	Question	2023	2024
	333	All unrestricted Cash and investments. Exclude restricted cash & cash held by a third party.	\$10,755,181	\$16,235,243



New: Compliance questions

The user will need to answer these questions to determine the level of compliance review needed, if any. This is new for 2025.

Account#	Question	2023	2024
1118	Was the Audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS), commonly referred to as the "Yellow Book"?	<input type="text"/>	<input type="text" value="No"/>
1064	Coronavirus State and Local Fiscal Recovery Funds expenditures (21.027)	<input type="text"/>	<input type="text" value="\$0"/>
554	Single Audit Only - Total amount of federal awards and grants expended as found on the Schedule of Federal (and State) Awards (SEFSA)	<input type="text" value="\$2,252,110"/>	<input type="text" value="\$5,630,573"/>
1119	Was a CSLFRF Alternative compliance review conducted instead of a Federal Single Audit?	<input type="text"/>	<input type="text" value="No"/>
555	Single Audit Only - Total amount of federal awards and grants that were audited as major as found on the Schedule of Federal (and State) Awards (SEFSA)	<input type="text" value="\$966,793"/>	<input type="text" value="\$5,594,100"/>
556	Single Audit Only - Total amount of state awards and grants expended as found on the Schedule of Federal (and State) Awards (SEFSA)	<input type="text" value="\$1,229,201"/>	<input type="text" value="\$1,528,434"/>
557	Single Audit Only - Total amount of state awards and grants that were audited as major as found on the Schedule of Federal (and State) Awards (SEFSA)	<input type="text" value="\$516,185"/>	<input type="text" value="\$1,045,395"/>
606	Single Audit Only - Type of compliance report(s) issued: #1- all unmodified; #2- at least one other (qualified, adverse)	<input type="text" value="All Unmodified"/>	<input type="text" value="All Unmodified"/>



- Financial Performance Indicators will populate on their own tab.
- A printable PDF of the performance indicators, including FPICs if applicable, will be produced for the auditor to provide to the board during the audit presentation.
- Make sure you request this from your auditor.

Date the auditor presented or plans to present Financial Performance Indicators of Concern (FPIC) to the Governing Board.							
<input type="text" value="Search..."/>							
Performance Indicators							
Category	Name	Formula	2022	2023	2024	Fail Condition	2024 Status
Summary	Number of Financial Performance Indicators of Concern (FPICs)	Number of Financial Performance Indicators of Concern (FPICs) Unit has	2	3	3	Greater Than 0	Fail
General Fund	Fund Balance Available as Percent of Expenditures & Transfers Out Without Powell Bill	(506+536+647-11-4-6-5)/(532+20+509-533-508-1050)	29.17%	47.09%	53.46%	Less Than 25.00%	Pass
General Fund	Use of Fund Balance for Operations	23 < 0 & 590 = Operations	No	No	Yes	Equal Yes	Fail



Auditor Communications Will Now Be Uploaded in the Module

Audit Detail:

Unit Name: Morehead City | Audit Year: 2024 | Version: 1 | Audit Status: In Progress

Unit Info

Add New Note

Version	Source
1	Final Review
1	User
1	User

Auditor Provided - Communication Letter

Note Subject:

An Auditor Communication Letter

Note Type:

Auditor Provided - Communication Letter

Note Text:

This is a sample note to display the ability to upload Auditor Communication Letters. Including AU-C §260, AU-C §265, and Management Letters.

141/1000 characters

Save & Close Note

Close

Upload

File Type(s)	File Name	Extension	
Management Letter	Management Letter	docx	<div>View</div> <div>Delete</div>
AU-C §260, AU-C §265	A Sample Document	pdf	<div>View</div> <div>Delete</div>

1



After submitting the audit, the auditor and finance officer will receive a confirmation of audit submission.

At this point, LGC staff will begin the audit review.

Confirmation of Audit Submission



The Audit submission for Lexington for the 2024 fiscal year was received by the secretary of the Local Government Commission on 05/01/2025.

A copy of the Audit Submission report is attached for your convenience; and can also be accessed by logging into LOGOS.

If you have any questions, please contact your Administrator or LOGOS@nctreasurer.com or 919-814-4300 for assistance.

Sincerely,
LOGOS Team
North Carolina Department Of State Treasurer
State And Local Government Finance Division
3200 Atlantic Avenue, Raleigh, NC 27604



Training opportunities

We plan to offer data entry training for audit firms before the system goes live. However, if a municipality or county would like to attend, they are welcome to.

Please let us know if you are interested in the training.

Email Eric.Faust@nctreasurer.com if you would like to attend.

Feedback? Suggestions? Have additional features you'd like to see? Let us know! SLGFD@nctreasurer.com