

NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION

# LGC UPDATE

Local Government Auditors' Conference

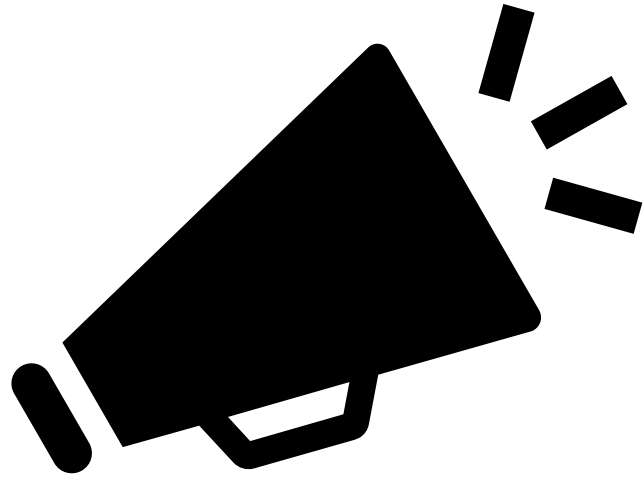
May 17, 2023

Sharon Edmundson



# Agenda

- News from SLGFD
- Escheats Review
- Unit Assistance List
- Audit Review Update
- Alternative Reporting Project
- Opioid Funding Settlement



# LGC NEWS



# News from SLGFD

## Arrivals and Job Changes FMS:

- Becky Garland, former finance officer in Graham Co, has joined us as a member of the COACH team to work in western NC
- Melissa Cardinali and Natalie Rountree have permanently joined the staff as members of the COACH team
- Eric Faust was promoted to Assistant Director in Fiscal Management



# News from SLGFD

- Arrivals and Job Changes DMS:
  - Melissa Dearman and Kelsey Carmichael have joined us as Debt Analysts
  - Tony Blalock has been promoted to Assistant Director in DMS
- Arrivals in State Debt Management:
  - Carolyn Heden has joined us as a financial analyst in the State Debt Management section



# News from SLGFD

## Departures:

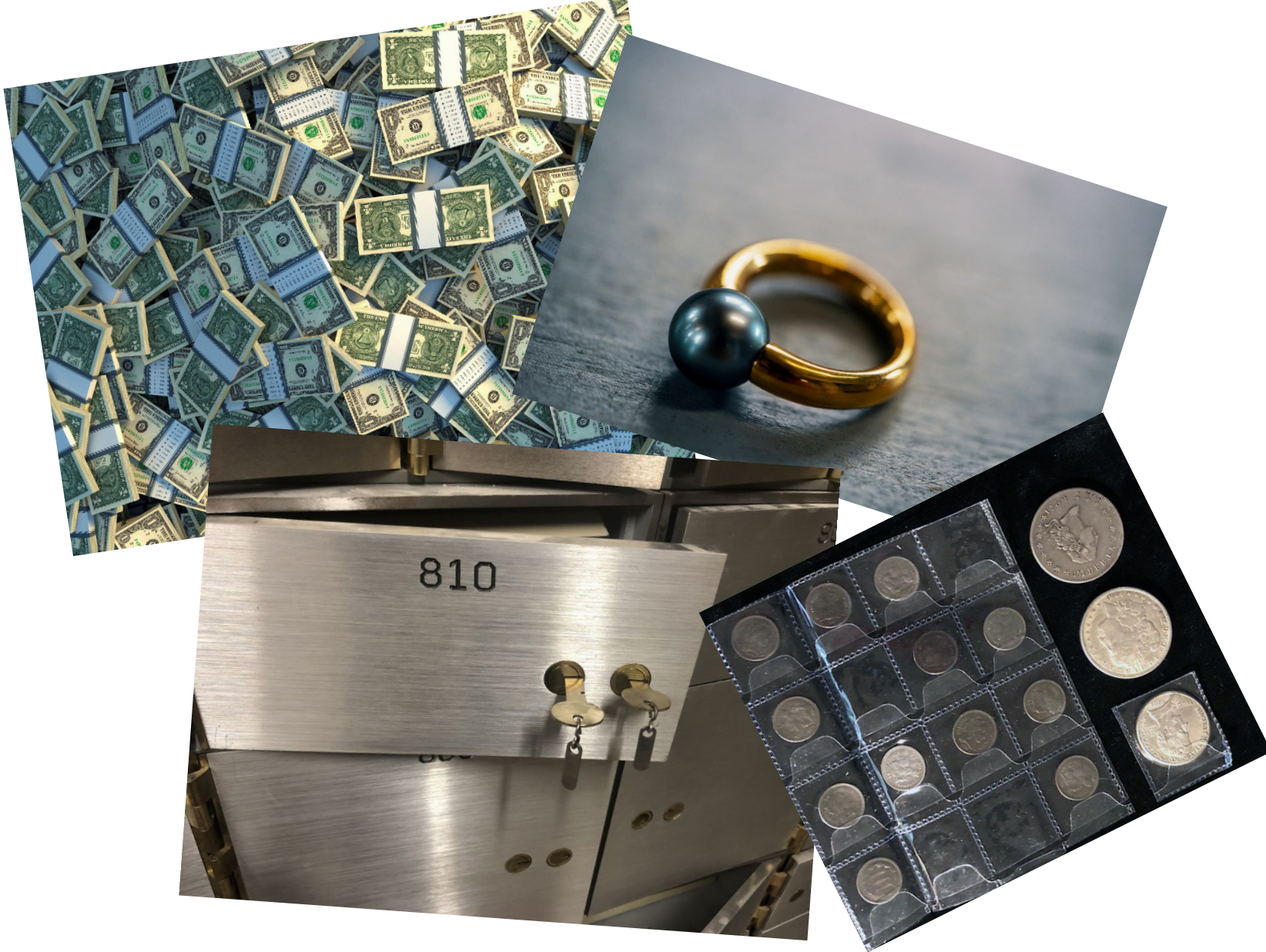
- FMS:
  - Manasa Cooper
  - Terri Morris
  - Susan McCullen
  - Brenda Landes
- DMS:
  - Joe Futima
  - Darrus Cofield
  - Marian Griffis
- Administration
  - Victoria Bledsoe



# News from SLGFD

- Treasurer's Conference will be virtual again this year
  - 8:30 – 1:00 on June 15th, 20th, and 22<sup>nd</sup>
  - Agenda will be available very soon
  - Dave Bean will be our guest speaker for the GASB Update





# Escheats Review



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# NCGS 116B – Escheats and Abandoned Property (Unclaimed Property / NCCash Program)

- All business entities, including local units of government, doing business in North Carolina are required to review their financial accounts annually and to determine if they are holding reportable unclaimed property.
- If property identified, they are required to submit a Holder Report electronically with the Unclaimed Property Division using NC's Holder Reporting portal found on the [NCCash.com](https://www.nccash.com) landing page, and to remit or deliver the unclaimed property to the North Carolina Department of State Treasurer.



# Common Types of Unclaimed Property

- Accounts Payable
- Salary, Wages, and other Employment Compensations
- Overpayments/Refunds Due
- Customer Deposits



# Reviewing Records for Unclaimed Property

- Disbursement Accounts – Open and Closed Accounts
  - Age and Disposition of Outstanding Checks
  - Checks Written Off or Voided
  - Checks Return by the Post Office
- General Ledger Reviews
  - Accounts Payable and Accounts Receivable
  - Utility Deposits
  - Miscellaneous Expense or Income Accounts
  - Suspense Accounts
- Journal Entry Reviews
  - Year-end Adjusting Entries
  - Reversing Journal Entries



# NCGS 116B – 53(C)12: Property Held by a Governmental Entity - One Year Dormancy Period

1 YEAR PROPERTY			
PAYABLE OR DISTRIBUTABLE	HOLD PERIOD	NOTICE TO OWNERS	REPORT DUE PRIOR TO
7/1/19 TO 6/30/20	6/30/21	8/15/21	11/1/21
7/1/20 TO 6/30/21	6/30/22	8/15/22	11/1/22
7/1/21 TO 6/30/22	6/30/23	8/15/23	11/1/23



# Questions / Need Assistance with NCGS 116B

- Visit website at [NCCash.com](https://www.nccash.com) for information regarding the reporting, remitting and delivering of unclaimed property.
- Visit the [Reporting Library](#) to locate additional reference materials and guides to assist in compliance with [North Carolina General Statute 116B](#).
- North Carolina's 4-Step Reporting Process located on the [Holder Information and Reporting](#) tab at [NCCash.com](https://www.nccash.com).
- See [Holder FAQs](#) for information on steps to take if you've identified a reporting error after submission, and other frequently asked questions.
- For additional assistance, email [upreports@nctreasurer.com](mailto:upreports@nctreasurer.com) or call 919-814-4200, Option 3.

# UNIT ASSISTANCE LIST





# Unit Assistance List (UAL)

- What it is and what it isn't
- How is it created?
- How does a unit get removed from the UAL?
- What does it mean to be on the UAL?





# Unit Assistance List (UAL)

What it is and what it isn't

- It is not a “naughty” list
- It is not a “we are about to assume control of your finances” list
- It is a list of units that we feel are most at risk of having financial and/or operations struggles
- It is a list that helps our Coach Team focus its work





# Unit Assistance List (UAL)

## How is it created?

- In all prior years, it was a very manual process – data analyzed from all audits for municipalities, counties, and utility districts, usually in April, based on the prior FYE audited data
- Units were identified based on three primary areas of review:
  - General Fund fiscal health (FBA)
  - Utility Fund(s) fiscal health (liquidity, income, and cash flow)
  - Internal Control weaknesses (number, severity, and recurring)
  - Other matters known to LGC staff
  - Units whose audits had not come in were automatically “on the list”



# Unit Assistance List (UAL)

## How is it created? (cont.)

- Units are notified via email and US Mail using contact information we have on file
- List is now available on our website (new this year)



# Unit Assistance List (UAL)

## How is it created? (cont.)

- List is periodically updated to account for reports that have been submitted
  - Those are evaluated based on the data in the report, and prior years, to determine if unit stays on the UAL.
  - If late audit is not the norm, and unit is in good shape overall, will come off the UAL at that time
  - Unit will be notified by email and US Mail that it is no longer on UAL
- Important to recognize that most units on the UAL have exhibited trends of poor financial performance/internal controls



# Unit Assistance List (UAL)

How does a unit get removed from the UAL?

- If an error was made in data entry that, once corrected, positively changes the evaluation of the fiscal health of either or both the General Fund or Utility Funds of a unit, we will remove the unit from the UAL.
- As previously discussed, late audits don't always stay on the UAL.
- Otherwise, unit is on the UAL until the next audit comes in and the cycle starts over. All units will be re-evaluated based on their new audited data



# Unit Assistance List (UAL)

What does it mean to be on the UAL?

- If unit needs to borrow money, will face increased scrutiny from LGC and will need a very thorough FPIC response
- Lowered borrowing caps, as Jennifer reviewed earlier
- Manager must take 6 hours of training (see [SL 2021-124](#))
- May be asked to sign a Fiscal Accountability Agreement, which requires unit to send in interim financial information on a periodic basis, and that a draft of the coming year's budget be sent to LGC staff to review before it is adopted



# Unit Assistance List (UAL)

## Coming in 2023

- Automated UAL
  - In final testing stages
  - Hope to have by June 30
- Will be much easier and faster to update
- Plan to update every 2 months
- Management still has option to override inclusion or exclusion based on other facts known







## Audit Review Update:

- As of May 15, 2023, we had received 911 of approximately 1,100 audits for our review.
- Missing include:
  - 10 counties (still have 1 outstanding for 2021)
  - 92 municipalities (4 outstanding for 2020, 17 for 2021)
- 76 units lost their auditors between 2021 and 2022 when **nine** CPA firms got out of the governmental auditing business in NC.
- We anticipated increased delays in 2022 audits.



# Financial Performance Indicators of Concern (FPICs)

- REVIEW potential FPICs with manager and finance officer sufficiently before presentation to governing board so that
  - Manager and finance officer understand and are prepared to discuss with board
  - Any incorrect FPICs are corrected or removed
- ADVISE the governing board and management
  - To respond to all FPICs
  - Of the deadline for their response – 60 days after presentation or earlier
  - Of the signatures needed – majority of the board plus manager and finance officer
  - To devote special attention to any repeated FPICs – Why not corrected?
- ENCOURAGE prompt implementation of corrective actions identified
- ALERT that a carefully considered response addressing all FPIC is expected. It is very important if an application for approval of debt is anticipated!



## FPIC Response

- See 20 NCAC 03 .0508 for guidance
- Must reasonably address **all** FPICs
  - And be even better if going to LGC for debt approval
  - See FPICs and Responses on our website for sample responses and guidance on how to submit your response.
  - See Memorandum #2023-04 for additional guidance.
- Must be signed by majority of governing board
- We request also signed by manager and by finance officer
- Submit through the LGC File Transfer Portal within 60 days after presentation by auditor
  - Do not mail or email response
  - **Earlier response and implementation of corrective action encouraged!**



# Data Input Worksheet – the “*DIW*”

- Two Excel tabs of most interest
  - **Performance Indicators Print** tab
    - Answers automatically generated from various data sources (If questions, call us! Don't change formula.)
    - Indicators requiring a response highlighted in **Red**
    - May reference the audited financial statements
      - Stewardship, Compliance and Accountability note
      - Compliance reports



## Data Input Worksheet – the “*DIW*”

- **TD Information Completed by Auditor tab**
  - Several interesting questions, for example
    - 906 – opinion unmodified?
    - 1055 – bank and other reconciliations timely?
    - 953 – going concern finding in report?
    - 1059 – no board-appointed finance officer finding?
  - Please answer carefully



## Data Input Worksheet – the “*DIW*”

- Other tabs explain calculations
  - Performance Indicator FBA %
  - RSS (Restricted by State Statute)
  - Electric Transfers compliance
- Certain tabs are for data entry





## Email Notifications of FPIC Response

- “Response Acceptable” – may require amendment if subsequently request LGC approval of a transaction
- Notifications are to unit and to auditor
- Reminders – several levels of reminders including “Past Due”
- Signature Required – sent when additional signatures needed.
  - Required signatures of majority of governing board (by NCAC) and by manager and finance officer by policy
- “SOD” – only FPIC segregation of duties – no response required but a link included to Memorandum #2015-15 – Internal Controls for a Small Unit of Government



# Completing the DIW

Accuracy is very important!

- Data from DIW is used to determine if a unit is on the UAL
- Data from DIW is used for reports that go to the General Assembly
- Data from DIW is used to populate databases that units can use to compare themselves to their peers, and that others use for research
- Recent internal audit of DIWs found an error rate of over 70%

# ALTERNATIVE REPORTING PROJECT



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# Review of Annual Reporting Requirements

1

Improve readability of  
Statements for Citizens  
and local governments

- Simplify financial statements
- Simplify accounting basis

2

Increase Internal  
Control work done in  
units

3

Improve timeliness of  
audits

4

Increase interest in the  
CPA community to  
perform local  
government work



# Overview of Annual Reporting Project

Multi-year project

Will require legislative approval



# Overview of Annual Reporting Project - Research Phase

	✓
Other States with emphasis on AAA States – surveys, meetings, official statements, State agencies in other states, municipal organizations in other states	✓
Bond Counsels ✓	✓
Major underwriters in State – how do they use the current statements	✓
Federal & State agencies – How they use current statements	✓
NC State Board of CPA Examiners	✓
NC League of Municipalities and County Commissioners Association	✓
NCACPA	✓
Other Experts in this area (Lee Carter and Greg Allison)	✓
Finance Officers from local governments	✓

✓ Indicates that we are in discussions with these organizations



# Overview of Annual Reporting Project

- The output from the research phase was presented to the State Treasurer and State Auditor and they have asked us to continue into the next phase of research.
- We will develop with input from the previous mentioned organizations.
  - Annual reporting options
  - Who will be eligible for this option
- We also are working with a task force of local government finance officers and with the NCACPA Government Resource Group to get input from auditors.



# OPIOID SETTLEMENT FUNDS



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# Opioid Settlement Funds (OSF)

- OSF Funds must be used to provide opioid-related expenditures, such as treatment, recovery, harm reduction and other life-saving programs and services incurred after the date the government signed the MOA.
- Any expenditures that are inconsistent with the MOA may be recovered by the Attorney General. Budgets or resolutions for opioid expenditures that don't comply with the MOA are required to be redone before the government can expend settlement funds.
- Template for resolutions are on NCACC website [HERE](#).
- GA made change to NCGS 159-13.2 adding "other grant or settlement funds" but needs to do more, so LGC staff have requested Settlement Fund Special Revenue fund as a new Section 159-13.2 (a)(3).
- Use an interest earned allocation that is consistent with MOA.



# Opioid Settlement Funds (OSF)

- Carolina County illustrative statements were updated in 2022 for the financial reporting required for OSF.
  - Use a multi-year fund Special Revenue Fund, moneys are unearned revenue until spent on qualifying expenditure(s) under resolution approved by DOJ.
- Expenditures of settlement funds will be subject to NC Local Government Budget and Fiscal Control Act and the State Single Audit. See Memo [2023-03](#) for auditing and compliance guidance.
- Reporting through NC Statewide Opioid Dashboard is completed through the NC DOJ's website on the **Community Opioid Resources Engine for North Carolina** ([CORE-NC](#)).
- [Complete information on the NCACC website is located here.](#)



# Contact Information

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