



THE MONITOR

NORTH CAROLINA OFFICE OF THE STATE AUDITOR
STATE AUDITOR BETH WOOD
QUARTERLY NEWSLETTER

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TOP STORIES IN THIS NEWSLETTER



NC DEPARTMENT
of COMMERCE
EMPLOYMENT SECURITY



UNTIMELY FIRST PAYMENTS FOR UNEMPLOYMENT INSURANCE (MARCH)



NC DEPARTMENT
of COMMERCE
EMPLOYMENT SECURITY

The COVID-19 pandemic triggered a massive uptick in unemployment throughout the country beginning in spring 2020. At the same time, the federal government greatly expanded unemployment benefits, and as a result North Carolina experienced a significant increase in unemployment insurance claims. North Carolina's statewide unemployment rate rose from 3.6% in February 2020 to

13.5% by April 2020. The Department of Commerce, Division of Employment Security, reported that it received approximately 3.5 million unemployment assistance claims from March 2020 through March 2021 and paid approximately \$11.6 billion in unemployment insurance benefits from January 2020 through March 2021.

OSA's performance audit of DES found that the Division did not issue over \$438 million in first unemployment benefit payments in a timely manner during the period of January 1, 2020 through March 31, 2021. Auditors tested 3.67 million of 3.69 million (99.5%) first payments from eight unemployment benefit programs and found that DES only issued 60% of these payments within the federal timeliness standard, which requires that at least 87% of first benefit payments are issued timely to regular unemployment insurance claimants.

DES did not issue an acceptable percentage of first unemployment benefit payments in a timely manner because:

- DES did not design its claims process to ensure first payments were made within timeliness standards.
- DES management did not monitor several key aspects of the unemployment claims process (e.g. timely manual review and contractor performance).
- DES did not have a plan in place for how it would respond to an economic downturn that would lead to a significant increase in unemployment claims.

DES agreed with the findings and recommendations in the report.

SPRING LAKE INVESTIGATIVE REPORT (MARCH)

The Office of the State Auditor initiated an investigation into the Town of Spring Lake in response to 17 allegations. Key findings of our investigation include:

- The Town's former Accounting Technician (who also served as the Finance Director for a period of time) used at least \$430,112 of Town funds for personal use. Specifically, the Accounting Technician wrote 72 checks that were deposited either in her own personal account, her husband's personal account, or made payable to a senior living facility where her husband resided. The misuse of these funds was not detected due to a lack of oversight by the Town Board of Aldermen and the former Finance Director.
- At least \$36,400 in cash collected by the Town was not deposited into the Town's bank account. This missing cash was not detected due to the lack of oversight by the Revenue Supervisor and the former Finance Director.
- From January 1, 2019 to December 31, 2020, Town employees spent \$102,877 of Town funds on questionable credit card purchases. This amount represents 45% of all credit card purchases for that time period, which totaled \$228,871.
- The Town overpaid the former Economic Development Director \$9,900 in error for his monthly cell phone stipend.



Findings from this investigation were referred to the Federal Bureau of Investigation and the State Bureau of Investigation to determine if there is sufficient evidence to pursue criminal charges related to misappropriation of public funds.

OCEAN ISLE BEACH INVESTIGATIVE REPORT (JANUARY)



OSA investigated allegations concerning the Town of Ocean Isle Beach concerning various activities by Town officials, including the acquisition of the Town police department building and land by the Mayor's real estate company. Our investigation found that

- The Mayor derived a direct benefit from being involved in making and administering a contract in which she acquired Town property.
- The Mayor used confidential information that was not available to the public in acquiring the building and land from the Town. As a result, the public lost the opportunity to purchase the property for an equivalent price.
- The Board of Commissioners inappropriately discussed details of the sale of Town property in closed session and failed to disclose those discussions to the public.
- The Town Administrator executed three contract amendments on behalf of the Town without the proper authority.

Findings were referred to the District Attorney for the 15th Prosecutorial District to determine if there is sufficient evidence to pursue criminal charges related to the direct benefit derived by the Mayor.

JOHNSTON COUNTY SHERIFF'S OFFICE INVESTIGATIVE REPORT (FEBRUARY)

OSA investigated the Johnston County Sheriff's Office and found that the Sheriff's Office purchased vehicles and gas masks totaling \$262,009 without obtaining at least three written quotes, in violation of the Johnston County Purchasing Policy. As a result, the Sheriff's Office potentially overpaid for these items. The Johnston County Sheriff is an elected official and serves a four-year term. The current Sheriff was elected in 1998 and is serving his sixth term.

GOLDEN LEAF PERFORMANCE AUDIT (MARCH)

The COVID-19 pandemic created tremendous economic need in North Carolina. Passage of the federal CARES Act led to disbursement of \$3.6 billion in financial assistance to the State through the Coronavirus Relief Fund. North Carolina's 2020 COVID-19 Recovery Act provided approximately \$83 million of that amount to the Golden Long-Term Economic Advancement Foundation (Golden LEAF), which partners with state and local governments and other foundations to build economic opportunity across North Carolina. Golden LEAF used this \$83 million to fund its existing COVID-19 Rapid Recovery Loan Program, which provides loans to small businesses during periods of economic hardship.



OSA's performance audit found that Golden LEAF did not design and implement procedures to monitor spending of these loans and thereby ensure that loan recipients used funds in accordance with the Recovery Act. This lack of oversight increased the risk of recipients using loan funds for unapproved purposes. Consequently, Golden LEAF would have been unable to detect and correct potential misuse, recapture those misspent funds, and provide them to other small businesses experiencing COVID-related economic hardship.

COMMUNITY COLLEGE AUDITS



The Office of the State Auditor performs financial statement audits for North Carolina's community colleges. The objective is to determine whether a college's financial statements are fairly presented. The audit does not determine with absolute certainty that the financial statements are totally correct. Rather, the audit provides reasonable assurance that the statements are not wrong by an amount so large that it would mislead someone using them to make an important decision about the organization's financial situation.

Each community college is subject to a financial audit a minimum of once every two years by OSA or a certified public accountant. As of March 21, 2022, OSA has released all community college reports the Office was engaged to complete. No audit findings were issued on any of these released reports.

Nearly 500,000 students are enrolled in the 58 public community colleges that make up the North Carolina Community College System. The System's mission is to open the door to high-quality, accessible opportunities that minimize barriers to post-secondary education, maximize student success, develop a globally and multi-culturally competent workforce, and improve the lives and well-being of individuals.

Additionally, in wrapping up its 2021 university audits, the Financial Audit division issued an audit on North Carolina Central University that found a lack of monitoring that resulted in misstatements and increased the risk of fraud and undetected errors.

STATEWIDE SINGLE AUDIT

In 2021, North Carolina spent \$39.2 billion in federal financial assistance under various federal programs. The Statewide Single Audit is an audit of the federal funds the State receives each year, mostly in the form of grants such as Medicaid, Student Financial Aid, funds to build highways and bridges, and, more recently, financial assistance related to the COVID-19 pandemic. Auditors perform audit procedures to provide assurance to the federal government as well as taxpayers about the management and use of these federal funds. The results are compiled into a Single Audit Report and submitted to the Federal Audit Clearinghouse.

OSA submitted its Statewide Single Audit for fiscal year ended June 30, 2021 on April 4, 2022. Particularly noteworthy findings and recommendations issued by OSA included:

- Inadequate monitoring of Coronavirus Relief Funds by the North Carolina Pandemic Recovery Office.
- Errors in Emergency Rental Assistance program spending by the Department of Public Safety.
- Inadequate monitoring of the Education Stabilization Fund – Elementary and Secondary School Emergency Relief program by the Department of Public Instruction.
- Inadequate monitoring of local health departments by the Department of Health and Human Services.
- Deficiencies in the Medicaid provider enrollment and termination process by DHHS.

AUDITOR'S FINDINGS



The OSA Team has been hard at work during the first quarter of 2022, as is evidenced by the highlights featured in this publication of The Monitor. And believe me when I say these are just the highlights of a lot of work done by a talented, committed staff.

Moving forward in 2022, OSA will focus on completing more performance audits. Performance audits provide the Governor and General Assembly with independent, objective, and irrefutable evidence of whether state programs are working as intended and taxpayer dollars are being used as efficiently and effectively as they could be.

OSA will continue to look at COVID relief moneys to identify (proactively, before the moneys are spent) those agencies/organizations that are not monitoring and measuring the effectiveness of the uses of the relief funds. These moneys are North Carolina's chance to put back much of what was

lost during COVID. Therefore, the leaders of North Carolina need to know that the spending of these critical federal dollars are accomplishing all that they should.

Also, over the last year, OSA has been inundated with allegations related to local government spending – allegations like the misuse of taxpayer dollars, misuse of local governments assets, and abuse of elected officials' positions, just to name a few.

Again, as the "Taxpayers Watchdog," OSA will continue to provide North Carolina citizens with much-needed transparency.

Thank you for the opportunity to serve!

~Beth

OSA IN THE NEWS

Rocky Mount Telegram: [Golden LEAF Performance Audit](#) (3/23)

ABC 11: [Town of Spring Lake Investigative Report](#) (3/17)

CBS 17: [Division of Employment Security Performance Audit](#) (3/14)

WRAL: [Johnston County Sheriff's Office Investigative Report](#) (2/28)

WWAY: [Ocean Isle Beach Investigative Report](#) (1/27)

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