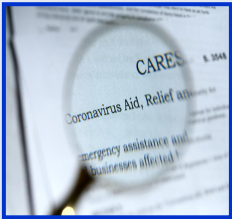


Top stories in this newsletter



Coronavirus Relief Fund Update



University Audits



What's a CAFR?

Coronavirus Relief Fund Update

It's hard to imagine that we are closing in on one year since a pandemic impacted our lives in so many ways. Relief for some came in May as North Carolina began receiving and distributing \$3.59 billion from the Coronavirus Relief Fund.

The State Auditor is required by the NC General Assembly (Session Law 2020-4) to audit the Coronavirus Relief Fund. This fund was distributed to many state agencies, hospitals, and non-profits. The Auditor decided to audit these funds not only on the back end of spending the moneys, but also on the front end to ensure agencies are:

- Tracking Coronavirus Relief Funds
- Monitoring these funds
- Ensuring the Coronavirus Relief Fund moneys accomplish all they were intended to accomplish



In December 2020, the Auditor released the Coronavirus Relief Funds at the Department of Public Instruction audit report. The Department of Public Instruction (DPI) received \$316 million through the Coronavirus Relief Fund. These funds were supposed to be used for, among other things, a summer learning program and to provide nutrition services to students.

The audit found that DPI distributed \$76 million of Coronavirus Relief Funds without a way to monitor or measure how the money was being spent. This audit report included findings on two areas:

Summer Learning Program

The audit found that although legislature appropriated \$70 million for a summer learning program, DPI only spent \$31 million as of August 31, 2020. Of the money that was spent on its summer learning program, DPI failed to establish procedures to ensure that students' abilities in reading and math were improved. DPI didn't know how many students were eligible to participate and how many did participate.

DPI did create a policy that included the program purpose and eligible uses for the money, but did not establish procedures to ensure the program improved student ability.

School Nutrition

DPI received \$75 million for school nutrition and of that, \$37 million had been spent by August 31, 2020. The school nutrition priorities for the pandemic established by DPI were to provide meals for the most vulnerable, food insecure students, ensure the health and well-being of students and families receiving nutrition, and ensure program sustainability.

The Auditor's office found that DPI failed to establish a method to ensure the funds achieved results. As a result, DPI doesn't know whether:

- All the children who needed meals received them.
- Social distancing and personal hygiene measures were sufficient to protect the health of children, families, and employees.
- Schools only received the amount needed to sustain their nutrition program.

Click [here](#) to read the Audit Report of the Coronavirus Relief Funds at the Department of Public Instruction. Click [here](#) to watch the video that details the findings.

What's Next

The Auditor is currently auditing the use of the Coronavirus Relief Fund by the Department of Health and Human Services and the Department of Revenue. For DHHS, we will determine if the Department established procedures to determine if the Coronavirus Relief Fund met the intended purpose. For DOR, we will be determining if the Extra Credit Grant was executed as intended.

We are also performing audit procedures on the NC Pandemic Recovery Office (housed within the Office of State Budget and Management). This office is responsible for distributing the Coronavirus Relief Fund as designated by the General Assembly as well as monitoring the use of those funds that are distributed to State agencies, hospitals, and non-profits.

University Audits



The Office of the State Auditor performs financial statement audits of all 16 Universities and the North Carolina School of Science and Mathematics in the University of North Carolina System (UNC System). Recently, we have completed audits of 16 universities.

We released all audit reports with the exception of North Carolina Central University. This University has not been issued due to the pending completion of Foundation audit reports which OSA needs for reliance to support our audit opinion. There were no audit findings issued on any of the audit reports released thus far.

Each of the audit reports listed below include a Management's Discussion and Analysis with a set of financial statements and notes. Readers will also find an overview of financial position and activities for the year ended June 30, 2020 as well as outlook for the future.

[Appalachian State University](#)
[East Carolina University](#)
[Elizabeth City State University](#)
[Fayetteville State University](#)
[North Carolina Agricultural and Technical State University](#)
[North Carolina State University](#)
[The University of North Carolina at Asheville](#)
[The University of North Carolina at Chapel Hill](#)
[The University of North Carolina at Charlotte](#)
[The University of North Carolina at Greensboro](#)
[The University of North Carolina at Pembroke](#)
[University of North Carolina School of the Arts](#)
[University of North Carolina Wilmington](#)
[Western Carolina University](#)
[Winston-Salem State University](#)

Nearly 250,000 students are enrolled in the 16 universities across the state that are a part of the University of North Carolina System. The UNC System is one of the most valuable public higher education systems in the country. Now more than ever, understanding the overall financial position and outlook of these institutions is important to North Carolina citizens and state leaders.

What's a CAFR?



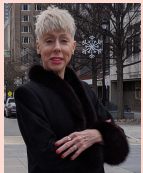
North Carolina's Comprehensive Annual Financial Report (CAFR) is a presentation of the State's financial condition. The CAFR is prepared by the Office of the State Controller and the Office of the State Auditor (OSA) plays an important role in the process.

The purpose of the CAFR is to present the financial condition of the State, which is used by the State's creditors and it can be used to assist others in making decisions that are based on the financial condition of the State. It is a presentation of financial information and includes the basic financial statements, more detailed statements and schedules, notes to the financial statements, and other supporting data. The Auditor's Opinion informs "all" users that the State's financial information contained in the report is fairly presented and the information within the financials can be relied upon by those users.

The CAFR is 372 pages long and divided into three sections: Introductory, Financial, and Statistical. The [Independent Auditor's Report](#), including the auditor's opinion, is part of the Financial Section. The OSA audited the State's basic financial statements as listed in the CAFR's table of contents for the year ended June 30, 2020 and issued an unmodified opinion meaning the information in the statements is fairly presented and users may rely upon that information.

Users of the CAFR include investors, creditors, legislators, and taxpayers. During the 2020 fiscal year, Standard & Poor's, Moody's Investors Service, and Fitch Ratings, the top three rating agencies, all affirmed the triple-A bond rating for the State. North Carolina remains one of only 14 states with a triple-A credit rating from all three rating agencies. This rating means the State of North Carolina pays the lowest interest rates in the nation when the State borrows money.

The Auditor's Findings



First, I want to say how excited I am to be serving the citizens of North Carolina, as State Auditor, for another term! We have accomplished so much in the last 12 years under my Administration, but there is so much left to do.

Second, I want to say how excited I am to begin this new term with such a talented Executive Team. They are four of the most dedicated, passionate, and intelligent people that I have ever had the opportunity to work with. While we stand on the shoulders of others, this Executive Team will help lead the Office of the State Auditor in some of the most impactful work the agency has ever done.

For this next term, while continuing to perform legislatively required audits across State government and NC's university/community college system, the Office of the State Auditor will focus on:

- The quality of education in the public school system, and the oversight by Department of Public Instruction, which spends approximately \$11B a year on our K-12 public school system.
- The Medicaid Program, including Medicaid transformation to managed care. The Medicaid program spends approximately \$14B a year.
- The Internal Audit function currently in State government, which could save the State 100's of millions of taxpayer dollars if functioning properly.
- Coronavirus Relief Funds spent in North Carolina – ensuring that the moneys go where they should and that the moneys accomplish their intended objectives.

The next four years will be exciting times for the Office of the State Auditor but also challenging, given the focus of the work. We look forward to the challenge!

Beth

OSA in the News

As OSA continues to publish relevant and impactful audit and investigative reports, many print, TV, and online media outlets across North Carolina produce stories that reach every corner of the State. This coverage is essential to ensuring that North Carolinians know how their tax dollars are being spent. Below is a sample of reporting you may have missed:

NC Department of Public Instruction didn't do enough to track how COVID-19 relief money was spent, audit says: <https://www.wncd.com/news/education/nc-department-of-public-instruction-didnt-do-enough-to-track-how-covid-19-relief-money-was-spent-audit-says/>

State auditor: DPI spent federal coronavirus relief money without plan to monitor effectiveness, spending: <http://pulse.ncpolicywatch.org/2020/12/02/state-auditor-dpi-spent-federal-coronavirus-relief-money-without-plan-to-monitor-effectiveness-spending/>

Audit criticizes NC education officials for lax monitoring of federal COVID-19 money: https://www.newsobserver.com/news/politics-government/article247550000.html?ac_cid=DM336057&ac_bid=-1261686539

NC Auditor: COVID-19 Relief Money For Education Has Gone Unspent And Is Poorly Monitored: <https://www.wfae.org/education/2020-12-07/nc-auditor-covid-19-relief-money-for-education-has-gone-unspent-and-is-poorly-monitored>

More financial trouble is predicted for NC cities and counties. What's the solution?: <http://www.ncpolicywatch.com/2020/12/15/treasurers-office-state-auditor-eyeing-100-plus-cities-counties-utilities-on-distressed-unit-list/>

To protect the health and well-being of our employees and those we audit, the Office of the State Auditor is observing the statewide State of Emergency and Stay-At-Home orders issued by the Governor. OSA will remain responsive to citizens' inquiries by phone at 919-807-7500 or email to our Public Information Officer at OSA_Communications@ncauditor.net.

Media inquiries can be made at 919-807-7513. State Auditor's Hotline: 1-800-730-TIPS