



THE MONITOR



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

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TOP STORIES IN THIS NEWSLETTER

In the October 2022 issue of The Monitor, we highlighted two of our audit divisions – Performance and Information Systems. We follow up in this issue with our other two audit divisions -- Financial Statement Audits and Investigative Reports.

FINANCIAL STATEMENT AUDIT DIVISION

This division performs financial statement audits for the State of North Carolina, state agencies, state universities, community colleges and other units of state government.

In addition, the OSA is involved in North Carolina's Annual Comprehensive Financial Report (ACFR) process that reports on the State's financial condition. The ACFR is prepared by the Office of the State Controller and OSA performs the financial statement audits and expresses an opinion on the fairness of the presentation.

Users of the ACFR include investors, creditors, legislators, and taxpayers. During the 2022 fiscal year, the top three rating agencies—Standard & Poor's, Moody's Investors Service, and Fitch Ratings—all affirmed a triple-A bond rating for the State. North Carolina remains one of 13 states with a triple-A credit rating from all three agencies. This rating means the State pays the lowest interest rates in the nation when borrowing money, a tremendous benefit to taxpayers.

INVESTIGATIVE REPORTS

Investigators within the Office of the State Auditor are required by state law to investigate any allegations made to the State Auditor's Hotline. These allegations include instances of fraud, waste and abuse of state tax dollars within government agencies and by private groups that receive state money or other support.

Recent examples of the work of the Investigative Reports Division of OSA include:

- The Town of Rural Hall was found to be in violation of the North Carolina open meetings law, failed to produce public records upon request, entered into an improper contract with the interim Town Attorney and improperly hiring the Town Clerk in violation of state law. This investigation was initiated after 13 citizen tips to the State Auditor's Hotline.
- The Hertford County Director of Elections was found to have purchased \$19,995 in services from a company owned by a current member and former Chairman of the Hertford County Board of Commissioners, a violation of Hertford County policy. The investigation was initiated as a result of two concerned citizen tips obtained through the State Auditor Hotline.

AUDITOR'S FINDINGS

Last March, OSA released an investigative report into the Town of Spring Lake's finances. The results of our investigation found that:

- the Town of Spring Lake'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;
- at least \$36,400 in cash collected by the Town was not deposited into the Town's bank account;
- Town employees spent \$102,877 of Town funds on questionable credit card purchases;
- the Town overpaid the former Economic Development Director \$9,900 in error for his monthly cell phone stipend;
- Town officials failed to safeguard Town vehicles; and
- the Town's Board of Aldermen did not maintain closed session meeting minutes for some of its meetings held during 2019 and 2020.



I'm pleased to report that as a result of that investigation, last December the former Spring Lake finance director was sentenced to four years in federal prison for embezzlement. This just underscores the important work the staff of OSA does each and every day to uncover fraud, waste and abuse of taxpayer dollars. The result of this investigation has also led to recent legislative efforts to ensure municipalities comply with state law to s timely audits. If the Town of Spring Lake had provided regular, timely audits, this fraud would have been discovered years earlier.

~ Beth

OSA IN THE NEWS

- PBS North Carolina: [Front Row with Marc Rotterman](#) (Dec. 22, 2022)
CBS17: [NC has billions to spend in COVID-10 money left...](#) (Dec. 20, 2022)
The Carolina Journal: [NC Medical Board audit raises patient safety concerns](#) (Jan. 12, 2023)
The Fayetteville Observer: [Ex-Spring Lake finance director...](#) (Dec. 14, 2022)

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