



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 this edition of The Monitor, we are excited to highlight two of our Audit Divisions: The Performance Audit Division and the Information Systems Audit Division. We hope you find this edition of The Monitor informative!

PERFORMANCE AUDIT DIVISION

The Performance Audit Division at the Office of the State Auditor performs independent, objective audits of the effectiveness and efficiency of government programs with the goal of making a difference in state government and in the lives of NC citizens.

The Performance Audit Division has released several impactful reports that have identified millions of dollars in improper payments, led to new laws, and improved oversight of how tax dollars are spent.

Below are a few examples from recent audit reports:

- **Untimely First Unemployment Benefit Payments (2022)** – This audit looked back at the time period when first-time unemployment claims were heavily increased due to the COVID-19 pandemic. The audit found that the Division of Employment Security (DES) did not issue \$438 million of first-time unemployment payments timely during this time period. Additionally, the audit found that DES had not issued first-time unemployment payments for over 10 years prior to the economic downturn caused by COVID-19. In response to these findings, DES management will start implementing corrective actions to improve the benefit payment process, improve oversight, and prepare a plan in the event of future economic downturns.
 - **Medicaid Provider Enrollment (2021)** – The audit found that unqualified medical providers, whose licenses had been revoked, suspended, or had limitations imposed, were serving Medicaid beneficiaries, putting their safety at risk. As a result, the Department of Health and Human Services let go of at least 14 providers and is attempting to get back \$13.4 million in improper payments.
 - **Department of Transportation (DOT) Cash Spending Plan (2020)** – The audit found that DOT exceeded its Spending Plan by \$742 million due to poor forecasting and management's lack of monitoring and enforcement of compliance. As a result, the General Assembly passed legislation requiring more oversight, reporting, and auditing requirements for DOT.
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INFORMATION SYSTEMS (IS) AUDIT DIVISION

The work of the IS Audit Division is very important to the state of North Carolina because an IT audit can help reduce risks of data tampering, data loss or leakage, service disruption, and poor management of IT systems. Their accomplishments do often fly under the radar, because many of their reports are kept confidential as required by North Carolina General Statutes §132-6.1(c). Nonetheless, recent examples of their work include:

- **Identification of information security and governance gaps across six representative universities in the UNC system**, leading to initiatives both at individual universities and system-wide to strengthen security posture for the 21st century.

- Assisting the Performance Audit Division through data gathering and analysis in the DES audit that found DES did not issue \$438 million of first-time unemployment payments timely.
- Automation of time reporting and metrics throughout the Office of the State Auditor that will result in massive time savings and more accurate, real-time information for management decisions.

Cybersecurity is currently a hot topic given the rise of ransomware, but the audits completed by the IS Audit Division at the Office of the State Auditor include other objectives as well. They often evaluate whether ongoing state IT projects, such as major enterprise systems, are being managed efficiently and effectively. The IS Audit Division also works closely with the Financial Audit Division each summer and fall to test IT controls in support of financial audit engagements. The data team within the IS Audit Division supports all of OSA’s divisions by getting the data needed to achieve audit objectives based on audit team specifications, providing additional complex analysis of data as needed, and performing robotic process automation.

AUDITOR’S FINDINGS



As you can see from this issue of the Monitor, the Office of the State Auditor continues to look into how your tax dollars are being spent.

I am often asked, “How do you choose which issues to audit?” Some of the work we do is mandated by statute, but the discretionary audits are picked based on impact, whether monetary or otherwise, on the citizens of North Carolina. For example, given the cry for help from many North Carolinians who lost their job during COVID-19 and were not receiving an unemployment check, the OSA decided to look into how prepared NC was to aid its citizens in a time of crisis.

The National Bureau of Economic Research (the Bureau) states that the US has entered into an economic downturn every 5.5 years, yet the State of NC was not prepared for the one encountered because of COVID-19.

Due to this performance audit, DES has initiated efforts to ensure that North Carolina will be better prepared to serve its citizens when the next economic downturn hits the nation. This is important because, according to the Bureau, there will be others.

~Beth

OSA IN THE NEWS

CBS17: [DPI promises 'organizational changes' after NC audit reveals 2 years of wrongdoing](#) (8/3)

WilmingtonBiz: [County Faces Questions From LGC About Project Grace](#) (8/3)

The Charlotte Observer: [Clerk’s office blames COVID after NC audit finds Mecklenburg estates mishandled](#) (7/12)

Carolina Public Press: [NC town set to cease existence as state treasurer calls for criminal charges](#) (6/27)

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