

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



EDGECOMBE COUNTY

TARBORO, NORTH CAROLINA

INVESTIGATIVE REPORT
AUGUST 2023



UNBIASED. IMPACTFUL. IRREFUTABLE.



EXECUTIVE SUMMARY

PURPOSE

The Office of the State Auditor initiated an investigative audit in response to 13 allegations received regarding Edgecombe County (County).

BACKGROUND

The County was formed in 1741 and is located in eastern North Carolina with administrative offices in Tarboro. The County Board of Commissioners (Board) consists of seven members who act as the governing body. The Board adopts policies, ordinances, and rules for the citizens and employees of the County.

KEY FINDINGS

- The County submitted its federal withholdings to the Internal Revenue Service (IRS) after the federal due date resulting in \$167,602 in penalties and fees.
- The County Manager overrode the purchasing policy when purchasing catering services totaling \$5,669.
- The County did not complete its monthly bank reconciliations for their disbursing and trust accounts.
- The County paid \$100,088 for insurance costs¹ for former County employees.

KEY RECOMMENDATIONS

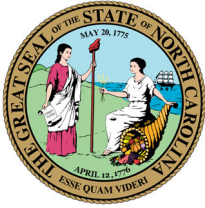
- The Finance Director should ensure that federal withholdings are submitted timely to the IRS.
- The County Manager should monitor the Finance Department's submissions of federal withholdings to ensure timely filings.
- The County Manager should comply with the County's established purchasing policy.
- The Board and County Manager should ensure that the Finance Director has procedures in place to ensure bank reconciliations are completed.
- The County should seek reimbursement from the insurance company² for insurance premiums/fees paid on behalf of former County employees.

Key findings and recommendations are not inclusive of all findings and recommendations in the report.

¹ Insurance costs included monthly premiums for dental and vision coverage, stop loss insurance, and other administrative fees paid to the County's health insurance provider.

² According to representatives from the County's insurance provider, the County can request reimbursement for the premiums paid on behalf of former employees after their separation date.

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

325 N. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699
Telephone: (919) 807-7500
Fax: (919) 807-7647
www.auditor.nc.gov

AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Edgecombe County Board of Commissioners
Eric Evans, County Manager

Ladies and Gentlemen:

Pursuant to North Carolina General Statutes § 147-64.6(c)(16) and § 147-64.6B, we have completed an investigative audit of allegations concerning Edgecombe County. The results of our investigative audit, along with recommendations for corrective action, are contained in this report.

Copies of this report have been provided to the Governor, the Attorney General, and other appropriate officials in accordance with N.C.G.S. § 147-64.6(c)(12). We appreciate the cooperation received from the management and employees of Edgecombe County during our investigative audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Beth A. Wood".

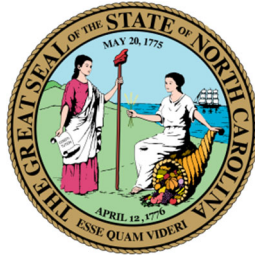
Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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BACKGROUND

The North Carolina Office of the State Auditor initiated an investigative audit in response to 13 allegations received regarding Edgecombe County (County).

Our investigative audit procedures included:

- Review of applicable North Carolina General Statutes, Internal Revenue Service tax guidelines, County Board of Commissioners' (Board) meeting minutes, and County policies and procedures.
- Examination and analysis of available documentation related to the allegations.
- Interviews with past and present County officials and personnel, Board members, and County vendors.

This report presents the results of the investigative audit. The investigative audit was conducted pursuant to North Carolina General Statutes § 147-64.6(c)(16) and § 147-64.6B. This report does not constitute an audit or attestation engagement conducted in accordance with generally accepted government auditing standards.

The County was formed in 1741 and is located in eastern North Carolina with administrative offices in Tarboro. The County Board consists of seven members who act as the governing body. The Board adopts policies, ordinances, and rules for the citizens and employees of the County.

The Board approved an annual budget of \$82,909,332 for the fiscal year ended June 30, 2023.

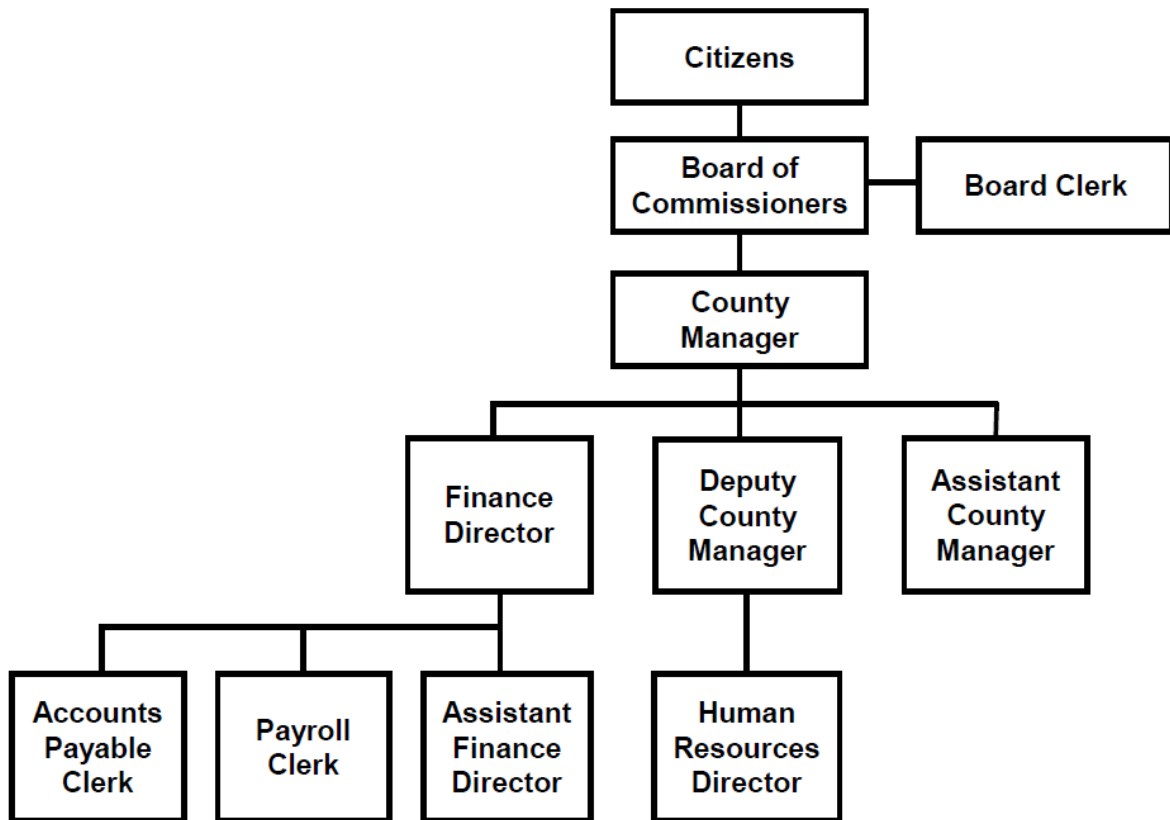
The County Manager is the chief administrator of County government, and is responsible for the administration of all departments, including finance and human resources.

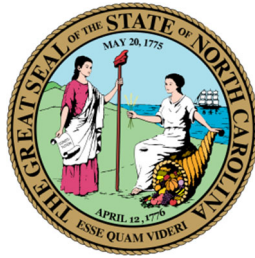
The Finance Director is responsible for keeping the County's accounts in accordance with generally accepted principles of governmental accounting and disbursing all funds in strict compliance with the budget ordinance. The Finance Director reports to the County Manager.

The Human Resources Director is responsible for directing and implementing the County's human resources and personnel process and system and preparing and maintaining personnel records and files. The Human Resources Director reports to the Deputy County Manager.

BACKGROUND

See below for the organizational structure of the positions mentioned in this report.





FINDINGS AND RECOMMENDATIONS

1. FEDERAL WITHHOLDINGS SUBMITTED LATE RESULTING IN \$167,602 IN PENALTIES AND FEES

Edgecombe County (County) submitted its federal withholdings to the Internal Revenue Service (IRS) after the federal due date. As a result, the County wasted³ \$167,602 on penalties and fees that should have never been incurred.

Federal withholdings were submitted late because neither the County's former Finance Director nor the County Manager provided oversight or accountability for submitting federal withholdings by the federal due date.

The IRS requires the timely filing of federal withholding payments.

Federal Withholdings Submitted Late

From January 2018 through December 2020, the County submitted 26 of its 59⁴ (44%) federal withholdings to the IRS **after** the federal due date.

The IRS requires employers to withhold employment taxes, such as federal income tax, social security, and Medicare from employees' paychecks and remit the taxes to the IRS within IRS required deadlines.

Specifically:

- Withholdings were filed late for 16 of 36 (44%) regular monthly payrolls.
- Withholdings were filed late for 10 of 23 (43%) miscellaneous payrolls.⁵

The withholdings were submitted between one and 68 days after the federal due date.

Resulted in \$167,602 Wasted on Penalties and Fees

As a result of the County filing withholdings late during the period January 2018 through December 2020, the County paid \$167,602 in penalties and fees to the IRS. These funds could have been used for other County purposes.

Caused by No Oversight or Accountability for Late Submissions

Neither the County's former Finance Director nor the County Manager provided oversight or accountability for submitting federal withholdings by the federal due date.

According to the former Finance Director, the payroll department was responsible for submitting the withholdings to the IRS. The payroll department reported to the former Finance Director, who reported to the County Manager.

The former Finance Director did not have any procedures in place to ensure that the payroll employee responsible for submitting the withholdings was submitting them by the federal due

³ The Government Accountability Office (GAO) defines waste as "the act of using or expending resources carelessly, extravagantly, or to no purpose." The GAO also states that "waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight."

⁴ There were 36 regular monthly payrolls and 23 miscellaneous payrolls during the review period.

⁵ Miscellaneous payrolls were processed outside of the regular payroll cycles on various days for changes and/or corrections to payroll.

FINDINGS AND RECOMMENDATIONS

date. Additionally, the former Finance Director did not hold the payroll employee accountable for the repeated late submissions.

Additionally, the County Manager did not ensure that the former Finance Director was carrying out her responsibilities related to submitting payroll tax withholdings to the IRS.

According to an email to the County Manager in April 2019, he was aware that the County was being assessed penalties. However, the County continued to be assessed with additional IRS penalties through December 2020.

IRS Required Timely Filing

IRS Publication 15⁶ required the timely filing of federal withholding payments. Federal withholdings were due to the IRS as follows:

- The withholdings for the County's regular monthly payrolls, which were greater than \$100,000, were to be deposited by the next business day.⁷
- The withholdings for the County's miscellaneous payrolls, which were less than \$100,000, were to be deposited based on the total tax liability during a lookback period, as described in Publication 15.⁸

RECOMMENDATIONS

The Finance Director should ensure that federal withholdings are submitted timely to the IRS.

The Finance Director should hold employees accountable to perform their assigned job duties.

The County Manager should monitor the Finance Department's submissions of federal withholdings to ensure timely filings.

The County Manager should follow up on employees' repeated non-performance to ensure they are held accountable and they perform their assigned duties.

2. COUNTY MANAGER OVERRODE POLICY FOR PURCHASES TOTALING \$5,669

The Edgecombe County (County) Manager overrode⁹ the County's purchasing policy related to purchases for catering services totaling \$5,669. As a result, the County cannot ensure that favoritism was not present in the purchasing process.

The County Manager disregarded the established County policy.

⁶ Publication 15 is published annually. The requirements for federal withholdings were the same for calendar years 2018, 2019, and 2020.

⁷ IRS Publication 15 (2020), Section 11, \$100,000 Next-Day Deposit Rule (page 28).

⁸ IRS Publication 15 (2020), Section 11, When to Deposit (page 26).

⁹ "Management override circumvents existing control activities and increases fraud risk." United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, September 2014, § 10.13.

Best practices identified by the Government Accountability Office (GAO)¹⁰ required the County Manager to lead by example, which would include following the established purchasing policy.

County Manager Overrode Purchasing Policy

From July 2018 through June 2021, the County Manager **overrode** the County's purchasing policy related to three purchases totaling \$5,669. All three purchases were made from Pap's Catering, a company owned by the spouse of an employee who served as the Accounts Payable Clerk at the time of the purchases.

Without first obtaining the required quotes or purchase orders, the County Manager made the following purchases:

Check Date	Event	Amount	Requestor	Violation
7/13/2018	Service Award Luncheon	\$2,675	County Manager	No quotes
11/30/2018	Christmas Luncheon	\$319	County Manager	No purchase order
8/12/2019	Service Award Luncheon	\$2,675	County Manager	No quotes

According to the former Finance Director, the County Manager made the purchases from Pap's Catering without the former Finance Director's review and approval of the invoices, as required by the County's purchasing policy. She stated that the invoices were paid because the County Manager gave the invoices directly to the Accounts Payable Clerk¹¹ for processing and printing the vendor checks.

Resulted in Potential Favoritism in the Purchasing Process

The purchases without verbal quotes and competition resulted in potential favoritism in the purchasing process.

Seeking competition in local government purchasing is important to maintain the integrity of the purchasing process. Per the County's *Financial Accounting Procedures Manual*, the definition of competitive bidding is:

Procedure that is established to prevent favoritism, fraud and imposition in the awarding of public contracts by giving noticed (sic) to prospective bidders and thus assuring competition which in turn guarantees fair play and reasonable prices in contracts involving the expenditure of a substantial amount of public money.

¹⁰ United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, September 2014, § 1.03.

¹¹ The Accounts Payable Clerk at the time of the purchases was the spouse of the Pap's Catering owner.

FINDINGS AND RECOMMENDATIONS

Caused by Disregard of Policy

The County Manager disregarded the County's purchasing policy, which required an approved purchase order for purchases between \$200-\$999 and three verbal quotes for purchases from \$1,000 to \$4,999.

The County Manager admitted to investigators that he was aware of the County's purchasing policy. Despite knowing the requirements for purchases, the County Manager explained that, for catering services, he did not follow the established policy.

According to the County Manager, he did not get quotes for the catering services. Instead, he obtained a price from the vendor that appeared "reasonable." However, this selection process overrode the policy and controls in place for purchases.

Best Practices Required Management to Lead by Example

Best practices identified by the GAO required management to lead by an example that demonstrates the organization's values, philosophy, and operating style. Additionally, the GAO states that management sets the tone at the top and throughout the organization by their example.

According to the County's *Personnel and Administrative Policies*, the County Manager is the highest administrative official of County government. The County Manager's disregard for the purchasing policy does not demonstrate leading by example. Additionally, it does not set a tone at the top for adhering to established County policies.

RECOMMENDATION

The County Manager should comply with the County's established purchasing policy; including, but not limited to, submitting a purchase order and obtaining verbal quotes when required by policy.

3. BANK RECONCILIATIONS NOT COMPLETED

Edgecombe County (County) did not complete its monthly bank reconciliations for the disbursing and trust accounts. As a result, the County Board of Commissioners (Board) did not have accurate, relevant, and timely information regarding the County's cash flow. In addition, there was an increased risk that accounting errors, theft, or misuse of cash could have occurred and not been detected.

Bank reconciliations were not completed because the former Finance Director failed to implement procedures to ensure the reconciliations were completed. Additionally, the Board and the County Manager did not ensure that audit findings related to bank reconciliations were addressed.

The North Carolina Local Government Commission (LGC) states¹² that all bank statements should be reconciled promptly upon receipt to help identify any errors or discrepancies.

¹² Memorandum 2015-15, *Internal Controls for a Small Unit of Government*.

Bank Reconciliations Not Completed

A bank reconciliation is a process used to identify and examine variances by comparing the cash balance in the County's accounting system to the balance reported by the bank. Preparing bank reconciliations monthly helps the County prevent or detect possible errors or theft or misuse of cash.

As of May 2022, the bank reconciliations for the County's disbursing account and one trust account had not been completed since June 2021. In June 2021, the bank balance of the County's disbursing account was approximately \$1.5 million.

The fact that bank reconciliations were not being completed was not new to the County. In fact, the County's financial audit included repeated findings that key accounts were not reconciled, including cash, for fiscal years 2017 through 2021.

Resulted in Lack of Accurate and Relevant Information

As a result of the County not completing bank reconciliations, the Board did not have accurate and relevant information regarding the County's cash flow.

The Board relies on cash balances reported by the Finance Department to make decisions. Therefore, cash balances that are not reconciled to the bank balances could lead to decisions being made with incorrect or irrelevant information.

The County's financial auditors proposed significant adjustments to cash account balances for fiscal years 2017 through 2021, which could have been avoided had the County completed the bank reconciliations.

Also Resulted in Increased Risk of Error or Fraud

Also, as a result of the monthly bank reconciliations not being performed, there was an increased risk that accounting errors, theft, or misuse of cash could have occurred and not been detected. Bank reconciliations could detect unauthorized payments or transfers.

Bank reconciliations would have given the former Finance Director an opportunity to review transactions and to address any mistakes or variances in a timely manner.

Caused by Failure by Former Finance Director

The bank reconciliations were not completed because the former Finance Director failed to implement procedures to ensure that the reconciliations were completed.

The former Finance Director assigned the bank reconciliation function to the Assistant Finance Director. However, she did not ensure that the Assistant Finance Director completed the reconciliations. Additionally, during periods where the County did not have an Assistant Finance Director,¹³ the former Finance Director did not assign anyone to perform the reconciliations and did not complete them herself.

¹³ The County's Assistant Finance Director position was vacant from July 2017 through July 2018 and from June 2021 through December 2021.

FINDINGS AND RECOMMENDATIONS

Also Caused by the Board and County Manager Not Ensuring Audit Findings Were Addressed

The County's financial audit reports included findings that the County's bank reconciliations were not performed timely for the five fiscal years covering 2017 through 2021. Specifically, the findings stated:

- 2017 – Several key accounts, **including cash**, fixed asset accounts, accounts payable, and revenues and receivables accounts were not reconciled on a routine basis.
- 2018 – The bank statements for the County were not reconciled for the majority of the year until September 2018.
- 2019 – The bank statements for the County were not reconciled for the majority of the year until January 2020.
- 2020 – Several accounts were not reconciled and adjusted.
- 2021 – The bank statements and subsidiary ledgers for receivables and payables were not reconciled to the ledger throughout the year.

However, the Board and the County Manager failed to ensure these audit findings were resolved.

Local Government Commission Required Bank Reconciliations

The LGC¹⁴ states¹⁵ that:

All bank statements should be reconciled promptly upon receipt to help identify any errors or discrepancies. Any discrepancies should be investigated immediately and acted upon accordingly.

RECOMMENDATIONS

The Board and County Manager should ensure that the Finance Director has procedures in place to ensure bank reconciliations are completed.

The Board and County Manager should ensure financial statement audit findings are addressed and resolved timely.

During periods of employee recruitment for vacant positions, the Board and County Manager should consider alternative approaches to ensure key functions, such as bank reconciliations, continue to be performed.

¹⁴ The staff of the LGC is responsible for fulfilling the obligations of the LGC found in Chapter 159 of the North Carolina General Statutes.

¹⁵ Memorandum 2015-15

4. COUNTY PAID \$100,088 FOR INSURANCE COSTS FOR FORMER EMPLOYEES

Edgecombe County (County) continued to pay for insurance for employees after their separation from the County. As a result, \$100,088 was not available for valid County purposes.

The County paid insurance costs¹⁶ for former employees because the former Human Resources Directors¹⁷ did not notify the insurance provider that the employees had separated from County employment. In addition, the County did not have adequate review procedures in place before paying the insurance invoice.

County procedures required the Human Resources Director to remove separated employees from the County's insurance.

Separated Employees Not Removed from County Insurance

From January 2020 through December 2021, the County did not remove all separated employees from the County's insurance.

Investigators examined 198 employees that separated from County employment between January 2020 and December 2021 and found that 63 employees (32%) remained on the County's insurance past their date of separation. The separated employees received anywhere from one to 22 additional months¹⁸ of insurance benefits past the date of their separation.

For example, two employees separated from County employment in January 2020 and another employee separated in February 2020. The County continued paying insurance costs for these employees through at least December 2021.

Resulted in \$100,088 Not Available for Valid County Purposes

As a result of the County paying insurance costs for 63 former employees, \$100,088 was not available for valid County purposes.

Caused by Human Resources Directors Not Updating Employees' Status Timely

The County paid insurance costs for former employees because the Human Resources Directors did not notify the insurance provider that the employees had separated from County employment.

According to the County's procedures, the Human Resources Director was responsible for notifying the insurance provider of any new employees and when employees separate from employment with the County.

¹⁶ Insurance costs included monthly premiums for dental and vision coverage, stop loss insurance, and other administrative fees paid to the County's health insurance provider.

¹⁷ From January 2020 to December 2021, the County had two individuals who served as the Human Resources Director. The former Human Resources Director resigned in August 2021 and the Deputy County Manager was named the interim Human Resources Director.

¹⁸ As of December 2021.

FINDINGS AND RECOMMENDATIONS

However, since 63 former employees were still covered on the County's insurance beyond their last date of employment, it is clear that the Human Resources Director did not update the employees' status timely.

Also Caused by Inadequate Review Procedures

The County did not have adequate procedures in place for paying the insurance invoice. Specifically, no one was designated to reconcile the monthly invoice received from the insurance provider with the listing of individuals covered that month.

The insurance provider issued a monthly invoice to the County for the employees included in the County's insurance cost. According to the Deputy County Manager, the finance office received and paid this monthly invoice without anyone from Human Resources, or any other County department, verifying that the individuals included in the cost were still employed with the County.

Edgecombe County Procedures

According to the County's procedures, the Human Resources Director is required to update the County's personnel system and notify the County's insurance provider when employees separate from County employment.

RECOMMENDATIONS

The County should seek reimbursement from the insurance company¹⁹ for insurance premiums/fees paid on behalf of former County employees.

The County Manager should ensure that the Human Resources Director notifies the insurance provider when employees separate from County employment.

The County should establish procedures for Human Resources to reconcile the monthly insurance invoice to active employees to ensure the County only pays insurance for active employees.

5. COUNTY OVERPAID EMPLOYEES \$21,983

Edgecombe County (County) overpaid 12 employees a total of \$21,983 from January 2020 through December 2021. As a result, these funds were not available for valid County purposes.

The County overpaid employees because the former Finance Director did not review the payroll to ensure employees were paid in accordance with the County's *Financial Accounting Procedures Manual* and the *Personnel and Administrative Policies*.

The County's *Financial Accounting Procedures Manual* states that the finance office is responsible for the timely and **accurate** processing of payroll.

¹⁹ According to representatives from the County's insurance provider, the County can request reimbursement for the premiums paid on behalf of former employees after their separation date.

County Overpaid Employees

From January 2020 through December 2021, the County overpaid employees that had separated from County employment.

Investigators examined 198 employees that separated from County employment between January 2020 and December 2021 and found 12 employees (6%) who were not paid in accordance with the County's *Financial Accounting Procedures Manual* and the *Personnel and Administrative Policies*. The erroneous payments were included in the employees' final pay and/or paychecks that were issued in error after the employees' last day of employment.

The chart below details the description of the overpayment, the total amount overpaid to the employees, number of hours overpaid, and the total number of employees:

Description of Overpayment	Amount Overpaid	Hours Overpaid	Number of Employees
Employees remained on payroll after separation date	\$15,258	866	4
Incorrect number of hours worked in month of separation	\$6,228	463	6
Employee exceeded maximum annual leave allowed	\$389	20	1
Employee paid unearned holiday pay	\$108	8	1
Totals	\$21,983	1,357	12

Resulted in \$21,983 Not Available for Valid County Purposes

As a result of the County not paying employees in accordance with the County's *Financial Accounting Procedures Manual* and the *Personnel and Administrative Policies*, \$21,983 was not available for valid County purposes.

Also, because of the erroneous payments, the employees could have received more months of service credit towards retirement than they had actually earned.

Caused by Former Finance Director's Failure to Review Payroll

The County's former Finance Director did not consistently review payroll for correct hours and leave time paid to ensure that employees were paid in accordance with the County's *Financial Accounting Procedures Manual* and the *Personnel and Administrative Policies*.

The former Finance Director admitted that she did not always review payroll for accuracy before it was processed, including not verifying separated employees were removed from payroll timely.

The former Finance Director stated that she only reviewed payroll, on average, four months out of the year. Therefore, payroll was not reviewed approximately eight months each year during her employment.

FINDINGS AND RECOMMENDATIONS

Edgecombe County Payroll Procedures

The County's payroll procedures require that payroll be timely and **accurate**.

Payments to employees not made in accordance with the County's *Financial Accounting Procedures Manual* and the *Personnel and Administrative Policies* result in an **inaccurate** payroll.

RECOMMENDATIONS

The County should seek reimbursement for erroneous payments made to former employees. Additionally, the County should determine if any erroneous payments were made after December 2021 and seek reimbursement if necessary.

The County should coordinate with the North Carolina Retirement Systems Division to determine if the former employees' retirement accounts need correction.

The County Manager should ensure procedures are in place for accurate payroll.

The Finance Director should review payroll for accuracy before it is processed.

The County Manager should ensure all department heads are meeting expectations of their job functions.

6. \$9.6 MILLION IN BUDGET AMENDMENTS RECORDED WITHOUT BOARD APPROVAL

Edgecombe County (County) recorded 26 budget amendments²⁰ totaling \$9.6 million in their financial system during fiscal year 2021 without approval by the Board of Commissioners (Board). As a result, there was an increased risk of the County paying for expenditures that the Board did not authorize.

Unapproved budget amendments were entered into the financial system because the County's procedures do not address how Board approval is documented.

The County's *Financial Accounting Procedures Manual* states that only approved budget amendments should be recorded in the financial system.

Unapproved Budget Amendments Recorded in Financial System

The County recorded budget amendments in their financial system that were not approved by the Board.

During the fiscal year ended June 30, 2021, the purchasing manager²¹ posted 340 budget amendments in the financial system totaling approximately \$53 million. Of the 340 budget

²⁰ North Carolina General Statutes § 159-8 require the County to adopt an annual balanced budget covering the fiscal year July 1 through June 30. Events occurring throughout the year may require greater or less spending than originally anticipated for some activities reflected in the budget. In these cases, only the Board can amend or make changes to the budget after adoption, as long as the budget continues to remain balanced and it satisfies the requirements of the statute.

²¹ The purchasing manager was responsible for entering budget amendments in the County's financial system.

amendments, the Board was required²² to approve 158 totaling approximately \$52.5 million before they were posted to the financial system.

Investigators examined the budget amendment forms for all 158 budget amendments that required Board approval and found that 26 (16%) totaling approximately \$9.6 million were recorded in the financial system but were not approved by the Board. These amendments changed the budget originally adopted by the Board in the financial system without the Board's knowledge.

Resulted in An Increased Risk of Unauthorized Expenditures

As a result of budget amendments recorded in the County's financial system without Board approval, the County could have paid expenditures that the Board did not authorize.

Caused by Lack of Adequate Written Procedures

The County does not have adequate written procedures to ensure that only Board-approved budget amendments are recorded in the County's financial system. Specifically, the County's *Financial Accounting Procedures Manual*, which addresses budget amendments, does not address how Board approval is documented.

According to the County Manager, the original budget amendment forms were kept in the finance office.²³ A copy of the forms was provided for review to Board members in their Board meeting agenda packet each month. Once approved by the Board,²⁴ budget amendment forms were filed in the County's official Board meeting minute book, **which signified Board approval**.

However, the purchasing manager did not use the County's official Board meeting minute book as the source for Board-approved budget amendments when recording amendments in the financial system. Instead, she used the copy of the budget amendment forms that were kept in the finance office, not the copy that was presented to the Board for approval.

Edgecombe County Financial Accounting Procedures Manual

According to the County's *Financial Accounting Procedures Manual*, budget amendments are recorded in the financial system **only once approved by the Board**.

RECOMMENDATIONS

The Board should establish written procedures regarding budget amendments to:

- Ensure that there is documentation that they approved a budget amendment, such as signing the budget amendment form or documenting the amount of the approved budget amendment in the Board meeting minutes.

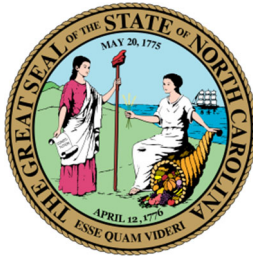
²² According to the County's *Financial Accounting Procedures Manual*, the Board was required to approve all budget amendments that required a transfer of funds within a department over \$10,000 and between departments over \$5,000.

²³ The budget amendment forms were completed by the Department requesting the budget be amended. They were then sent to the Finance Office for approval.

²⁴ The Board meeting minutes did not include a list of amendments that were approved by the Board.

FINDINGS AND RECOMMENDATIONS

- Ensure that only Board-approved budget amendments are recorded in the County's financial system.



STATE AUDITOR'S RESPONSE

The Office of the State Auditor (OSA) strives to provide reports with **complete** and **accurate** information to the Governor, the General Assembly, the citizens of North Carolina, and the stakeholders of the County. When the response of an auditee potentially **obscures** an issue, **misleads** the reader, or **minimizes** the importance of auditor findings and recommendations, OSA provides clarifications regarding the auditee's response.

In their response to this investigative audit report, Edgecombe County (County) made several statements that were **incorrect**, may **mislead** the reader, or **minimized the importance** of OSA's findings and recommendations.

To ensure complete and accurate information, OSA offers the following clarifications.

Cover Letter

In the County's cover letter, the County states:

This letter is in response to the investigative report prepared by your staff and presented to us at our Board of Commissioners meeting on March 6, 2023, and then revised and submitted to us on June 20, 2023. We appreciate your office carefully reviewing our initial response and revising your report.

The County's reference to an investigative report presented on March 6, 2023, that was subsequently revised is **misleading**.

In this case, as in all investigative audits performed by OSA, a draft report was provided to the County. After reading the draft report, the County realized that they had not provided all relevant information during the investigative audit and subsequently provided that additional information.

In this case, as in all investigative audits performed by OSA, the evidence in its entirety was considered. Any updates necessary as a result of the additional information were made and a revised **draft** was submitted to the County for response. This process ensures that the Governor, the General Assembly, the citizens of North Carolina, and the stakeholders of the County are provided with complete and accurate information.

Federal Withholdings Submitted Late Resulting in Penalties and Fees

In the response to the finding related to federal withholdings submitted late resulting in penalties and fees, the County states:

For example, as you are aware, one of the penalties identified in your initial report in the amount \$26,180.85, has already been reversed by the IRS.

This statement attempts to minimize the issue of the penalties and fees paid by the County to the IRS as a result of late filings of federal withholding.

The County was assessed a total of \$193,783 in penalties and fees by the IRS because the County was late in filing their federal withholdings. Of the \$193,783 assessed penalties and fees, only \$26,181 has been reversed by the IRS. The fact remains that the County paid \$167,602 to the IRS as a result of the County's late filing of their federal withholding.

Additionally, the County **minimizes** the finding by failing to acknowledge that the \$26,181 in assessed penalties and fees could have been avoided had the employee who faxed the forms to the IRS verified that all pages were transmitted to the IRS.

County Manager Overrode Policies and Procedures

In the response to the finding related to the County Manager's override of policies and procedures, the County states:

Among the hundreds of purchase orders and thousands of purchases made annually, these three times within those years consisted of two service award luncheon purchases of \$2,675 each where County staff did not solicit quotes for the catering services it purchased and one Christmas luncheon where a purchase order was not entered for the \$319 used to purchase food for that luncheon.

This statement is misleading.

The County's response misleads the reader to believe that investigators reviewed **all** of the hundreds of purchase orders and thousands of purchases made by the County over the three-year period covering July 2018 through June 2021, and found only three where the County Manager overrode the County's policies and procedures regarding purchases. **That is not the case.**

Investigators **did not** review all of the County's purchases during the period covering July 2018 through June 2021 to ensure they followed the County's purchasing policy. Instead, five payments made to Pap's Catering during this period were reviewed. The County Manager overrode the County's purchasing policy for three of the five purchases.

Again, for the County to suggest that only three out of thousands of purchases were overridden by the County Manager is **misleading** to the readers of this report.

In their response, the County also stated:

The County has had a long-standing practice of rotating among the few available, low-cost local catering vendors to provide food at certain county events because of the limited availability of local businesses that can provide this service at a reasonable and low cost.

This statement is irrelevant and distracts the reader.

As stated in the investigative audit report, the County's purchasing policy **required** an approved purchase order for purchases between \$200-\$999 and three verbal quotes for purchases from \$1,000 to \$4,999. The practice of rotating the use of local caterers has nothing to do with the County Manager overriding the County's adopted policy for purchasing.

In their response, the County also stated:

Though not identified in the report, the County has routinely used other businesses that have provided the same catering services to ensure fair play and reasonable prices.

This statement is irrelevant and distracts the reader.

Whether or not the County routinely uses other businesses to provide catering services to the County is **irrelevant** to the finding. The finding focuses on the fact that the County Manager has **overridden** County policy regarding purchases.

In their response, the County also stated:

While not in line with the technical requirements of the policy, the County's practice of rotating among local vendors with reasonable prices honored the intent of the policy and did not result in favoritism among vendors.

This statement misleads the reader.

The County **agrees** that their practice of rotating vendors does not follow "technical requirements" of their policy, but then states that it "honored the intent of the policy".

The County's policy is clear in that it required an approved purchase order for purchases between \$200-\$999 and three verbal quotes for purchases from \$1,000 to \$4,999.

Budget Amendments Recorded Without Approval

In the response to the finding that budget amendments were recorded without approval, the County stated:

The conclusion that Edgecombe County recorded these 26 budget amendments in its financial system without approval by the Board of Commissioners is an inaccurate and incomplete characterization of how the budget amendments were approved in fiscal year 2021. We acknowledge the budget amendment approval process was not documented in accordance with county policy in limited instances, however, it is necessary for us to provide further information to clarify the finding.

This statement is not true.

First, the County cannot provide a policy for how budget amendment approvals, made by the County's Board of Commissioners (Board), should be documented. Additionally, the County's *Financial Accounting Procedures Manual*, which addresses budget amendments, does not address how the Board's approval is documented. The process outlined in the investigative audit report is the process as **explained** by the County Manager.

The process described by the County Manager is the criteria that investigators used in the determination of their findings. Specifically, **per the County Manager**, budget amendment forms filed in the County's official Board meeting minute book signified Board approval. Investigators found 26 budget amendments totaling approximately \$9.6 million that **were not**

in the County's official Board meeting minute book and therefore, **based on the process described by the County Manager**, were not approved by the Board.

In their response, related to 14 budget amendments that were not approved, the County stated:

The minutes of each Board meeting reflect whether proposed budget amendments were considered or approved...In these limited instances, the Board of Commissioners approved these 14 budget amendments, and the minutes of the respective meetings document their approval, but copies were not included in the minute book. Therefore, the Board of Commissioners was aware of and approved all 14 of these amendments to the fiscal year 2021 budget.

This statement is misleading.

The Board meeting minutes reflect a blanket statement approving the budget amendments. The meeting minutes do not contain an itemized list of the budget amendments that were approved or not approved at the Board meeting.

Again, the results of our investigative audit are based on the process described by the County Manager. Specifically, budget amendment forms filed in the County's official Board meeting minute book signified Board approval. These 14 budget amendments were not in the County's official Board meeting minute book and therefore, **based on the process described by the County Manager**, were not approved by the Board.

In their response, the County also stated:

From time-to-time, county staff have the need to submit budget amendments for the Board of Commissioners to consider after the agenda packets have been distributed on the Friday afternoon before each month's Monday night meeting. The remaining 10 budget amendments noted in the report totaling \$1,335,843 appear to be budget amendments that were not initially included in the Board of Commissioners' agenda packets that were distributed on a Friday afternoon, but instead were prepared by county staff on a Monday before a monthly meeting and added to the agenda at the meeting.

This statement is partially incorrect.

Three of the 10 budget amendments the County is referring to were prepared by County staff and approved by the County Manager **well before** the Monday of the monthly meeting. Specifically:

- A budget amendment totaling \$8,539 was approved by the County Manager on Friday, January 15, 2021, and was included in the Monday, February 1, 2021, board meeting.
- A budget amendment totaling \$219,257 was approved by the County Manager on Wednesday, January 27, 2021, and was included in the Monday, February 1, 2021, board meeting.

- A budget amendment totaling \$200,000 was approved by the County Manager on Friday, March 12, 2021, and was included in the Monday, April 5, 2021, board meeting.

In their response, the County also stated:

The Board is confident that it properly considered and approved these ten budget amendments at a meeting.

This statement is misleading.

The ten budget amendments referenced were not in the County's official Board meeting minute book nor the Board's agenda packet. Therefore, there is no documentation to support that the Board properly considered and approved these 10 budget amendments.

In their response, the County also stated:

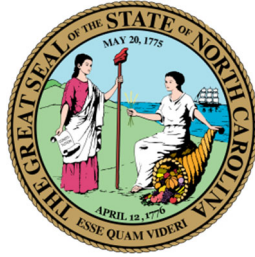
Although the amount identified in the finding is significant, the Board notes this finding is not included in the list of the report's key findings, which seems to suggest the State Auditor understands the Board's reasonable explanation regarding these budget amendments, and that the Board of Commissioners was in control of spending related to these amendments.

This statement attempts to minimize the importance of OSA's findings and makes an incorrect assumption regarding OSA.

As mentioned in the Executive Summary of the investigative audit report, key findings and recommendations are not inclusive of **all** findings and recommendations in the report. The Board has no information whatsoever to make this assumption.

The Executive Summary is included in the report to give an overview of the results of the investigative audit. The fact that a finding within the report is not included within the Executive Summary has no bearing on the importance of the finding.

Again, OSA provides this clarifying information to ensure that this report provides **complete** and **accurate** information to the Governor, the General Assembly, the citizens of North Carolina, and the stakeholders of the County.



RESPONSE FROM EDGECOMBE COUNTY



July 3, 2023

The Honorable Beth Wood, CPA
Office of the NC State Auditor
25 Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699

Dear State Auditor Wood:

This letter is in response to the investigative report prepared by your staff and presented to us at our Board of Commissioners meeting on March 6, 2023, and then revised and submitted to us on June 20, 2023. We appreciate your office carefully reviewing our initial response and revising your report. We have reviewed the revised report and hereby provide our response.


You will find in our response, which is organized by the findings identified in your report, that we have noted areas where issues have been addressed or are being addressed. However, in addition, we believe it is important to also include critical information that clarifies inaccurate assumptions or conclusions made in the report.

We take these matters seriously and appreciate the opportunity to respond to your report. As you will see, staff have addressed all of the issues raised in your report. We view this audit and the work put in place to improve our practices as an opportunity to build upon management and operational improvements we have already made, and to show that Edgemcombe County is in very good financial standing and is a committed steward of its citizens' fiscal resources.

If you have any questions, please contact our County Manager, Mr. Eric Evans, at (252) 641-7834 or ericevans@edgemcombco.com.

Sincerely,


Leonard Wiggins, Chairman


Rev. E. Wayne Hines, Vice-Chairman


Ralph Webb, Commissioner


Viola Harris, Commissioner


Donald Boswell, Commissioner


Evelyn Powell, Commissioner


George Thorne, Commissioner



Edgemcombe County Response to Findings

Finding #1: Federal Withholdings Submitted Late Resulting in Penalties and Fees

The report finds that the County submitted its federal withholdings to the Internal Revenue Service (IRS) after the federal due date resulting in penalties and fees. We acknowledge that we were assessed and paid penalties related to the late submission of IRS payroll withholdings during the period January 2018 through December 2020. It is important to note how some of those penalties were triggered, and that a portion of those penalties was reversed. As part of its regular practice, Edgemcombe County completes monthly payroll cycles and, within that process, submits payroll withholdings to the IRS on a monthly basis. In addition to these regular payroll cycles, Edgemcombe County, from time-to-time, also completed miscellaneous payrolls outside of our regular, monthly payroll cycles. These miscellaneous payrolls were completed outside of our regular payroll cycle because of changes or corrections needed to be made for some employees that were discovered after the regular payroll was completed.

In our review of the assessed penalties, we discovered that some withholdings were not credited as timely by the IRS due to missing pages in the forms that were filed by fax with the IRS. The IRS requires that our payroll withholding forms be submitted by fax, which can create errors resulting from missing pages that cause our timely filings to be identified as late. These errors were made in the timely filing of otherwise correct information on the proper form.

For example, as you are aware, one of the penalties identified in your initial report in the amount \$26,180.85, has already been reversed by the IRS. After we contacted the IRS to review what we believed was a timely filing, the IRS realized that a page of a form was missing, likely omitted in the transmission of the document by fax. We provided that missing page, and the penalty was reversed.

As the report noted, some of the IRS penalties were assessed due to late filings. The filings that were submitted late were filed by an employee who is no longer employed by the County. Current staff involved in the payroll withholding process have been trained in the proper manner and time in which to submit filings to the IRS, and the process is being more closely monitored by the Chief Financial Officer and County Manager. **The IRS has not assessed any penalties against Edgemcombe County since the fourth quarter of 2020, and the County is currently in compliance with all IRS requirements.**

In addition, to avoid the mistakes caused by the miscellaneous payroll filings in the past, the County's practice now requires that any errors identified after a payroll cycle is complete be corrected by an additional payment through Accounts Payable, rather than a miscellaneous payroll, and then reconciled by a journal entry to payroll during the next regular payroll.

Our team members are working closely with our assigned representative from the IRS. We are currently reviewing our past filings with our representative because we believe that many of those penalties may be overturned and the amounts already paid would be credited back to the County, as it was with the previous \$26,180.85 penalty.


Finding #2: County Manager Overrode Policies and Procedures

The report finds that from July 2018 to June 2021, the County Manager overrode the County's purchasing policy three times for a total amount of \$5,669 by purchasing food from one catering vendor without soliciting quotes or, on one occasion, without including a purchase order. We disagree that the County Manager overrode the County's purchasing policy, and believe it is necessary to provide more context about our practice regarding purchases for less than \$5,000. Among the hundreds of purchase orders and thousands of purchases made annually, these three times within those years consisted of two service award luncheon purchases for \$2,675 each where county staff did not solicit quotes for the catering services it purchased and one Christmas luncheon where a purchase order was not entered for the \$319 used to purchase food for that luncheon.

The County has had a long-standing practice of rotating among the few available, low-cost local catering vendors to provide food at certain county events because of the limited availability of local businesses that can provide this service at a reasonable and low cost. Though not identified in the report, the County has routinely used other businesses that have provided the same catering services to ensure fair play and reasonable prices. Although the County has rotated among local vendors for its events, it has only ever used catering vendors where the prices are low and well-within a reasonable range. While not in line with the technical requirements of the policy, the County's practice of rotating among local vendors with reasonable prices honored the intent of the policy and did not result in favoritism among vendors.

The report notes that the particular catering vendor in question has a family relationship to the County's former Accounts Payable Clerk. However, it is important to note that the County Manager, and not that employee, approved the use of that vendor. The County Manager has no family connection or business interests with the vendor.

To be consistent with the County's purchasing policy, staff have been reminded of the importance of competitive pricing and have been instructed to solicit at least three verbal quotes for purchases of catering services expected to be between \$1,000 and \$4,999 in accordance with the County's purchasing policy.

Finding #3: Bank Reconciliations Not Completed

The report finds the County did not complete its monthly bank reconciliations for its disbursing and trust accounts. The County acknowledges that regular bank reconciliations were not completed timely for a period ending in 2021 due to turnover and extended vacancies in essential positions within the Finance Department. In particular, the County worked for more than one year to fill the Assistant Finance Director position, which is the position that primarily oversaw the reconciliation of bank accounts at that time. While the County sought to fill this position, other staff within the Finance Department worked overtime to complete delayed bank reconciliations. The County filled the Assistant Finance Director position in December 2021, and the Finance Department staff have been instructed on the importance of and is committed to the timely reconciliation of all county bank accounts. It should



also be noted that the former Finance Director identified in your report as having failed to implement procedures to ensure that the reconciliations were completed is no longer employed by the County.

In addition, to ensure that this is not a reoccurring issue, the Board of Commissioners has made significant investments to increase the capacity of our Finance Department. To that end, within the last year, we added an Accounting Specialist position in the Finance Department whose primary role is to complete bank reconciliations monthly. We have also obtained additional support and expertise to improve our processes and internal controls, including the timely completion of bank reconciliations. Specifically, we contracted with an experienced accounting professional with over 30 years of experience in local government finance. Her subject matter expertise has helped to identify areas of need within the Finance Department. The scope of her contract includes audit planning and management, budget monitoring and forecasting, and grant accounting and reconciliation.

Furthermore, we engaged a second financial consultant who also has over 30 years of professional accounting experience. This consultant initially focused on working with staff to improve our financial processes and account reconciliation. When our former Finance Director retired on August 1, 2022, the County Manager appointed this consultant as our Interim Finance Director. She continued to train staff to efficiently and timely complete bank reconciliations. Her experience along with her commitment to work with us for an extended time has allowed us the opportunity to continue the significant improvements we have made to our financial practices and to supervise the timely completion of bank reconciliations.

The Board is committed to maintaining the capacity of our Finance Department and the progress we have made in addressing these issues. As such, last fall, the Board elevated the Finance Director position to Chief Financial Officer. This position now has more oversight and authority across the organization and is responsible for ensuring that county staff throughout all departments comply with financial policies and procedures. The CFO's responsibilities include ensuring bank reconciliations are completed timely, and financial statement audit findings are addressed and resolved. The new authority of the CFO role better positions it to affect compliance with financial regulations and policies within all county departments, and to address issues more proactively.

In understanding the importance of this new role, as well as the challenges all counties have in filling such a position, the Board established the salary for the CFO at a more competitive grade than the Finance Director position. After an in-depth search of highly qualified candidates, the County Manager hired our first CFO in May of 2023. The Board is committed to improving its financial practices and believes it is well positioned with the hiring of the new CFO to ensure that bank reconciliations are completed, audit findings are resolved, and the County complies with all financial regulations and policies.

The report notes that as of May 2022, the bank reconciliations for the County's disbursing account and one trust account had not been completed since June 2021. The County has been aware of this issue for some time and the Finance Department staff have been working tirelessly to complete the delayed reconciliations. **As of the submission of this response, all county bank accounts have been reconciled through May (the most recently received bank statements) except for some minor reconciling items identified by staff that will be resolved by July 31st, if not sooner.**

We acknowledge how critical it is to have our accounts reconciled timely, and the vulnerable position it may put the County in when they are not. Therefore, we are committed to remaining current with bank reconciliations on all Edgewood County accounts. However, it is necessary to note that the County's



financial position has been very good and consistently improving during this time. Our audits show that our net position has increased in each of the last three years. In fact, Edgemcombe County's unassigned fund balance has grown from 8.9% in FY-19 to 26.22% in FY-22, which is the highest percentage of unassigned fund balance in at least twenty years.

Finding #4: County Paid for Insurance Costs for Former Employees

The report finds that from January 2020 through December 2021, Edgemcombe County continued to pay insurance costs related to dental and vision coverage, stop-loss insurance, and other administrative fees for employees after their separation and, as a result, \$100,088 in insurance costs was not available for valid county purposes. We have addressed the issues that led to the employees not being removed from our insurance coverage at the time of separation. In addition, County staff contacted a representative from our insurance provider who advised staff that the provider would reimburse any insurance costs and fees paid for employees who had separated from County employment prior to payment.

We acknowledge that some employees remained on our insurance rolls after separation from the County. Edgemcombe County has more than 500 employees at any given time and mistakes were made in limited instances with the processing of Personnel Action Forms (the internal form that authorizes and records personnel related changes for an employee) to remove exiting employees from insurance rolls. To increase the capacity of our Human Resources Department, we have added a Human Resources Assistant position in that office. That team member now more closely reviews Personnel Action Forms and systematically removes an employee from coverage when he or she separates from county employment. Staff has also been further trained and is more closely reviewing and reconciling monthly records to ensure that employees who have separated from employment have been removed from all county employee lists.

Finding #5: County Overpaid Employees \$21,983

The report finds that Edgemcombe County violated its personnel policy by overpaying 12 employees a total of \$21,983 from January 2020 through December 2021 by including some amount of unearned pay in their final paycheck from the County. We acknowledge that 12 employees were overpaid during this time due to either keying errors or errors on timesheets and accrual forms submitted to the Payroll Administrator. Staff have been instructed to more closely review timesheets, payroll accrual forms, and monthly payroll processes to ensure that these errors are not repeated. The Payroll Administrator reports directly to the new CFO, and the CFO has established procedures to review the payroll for accuracy before it is processed. In addition, the CFO, Payroll Administrator and Human Resources staff are now regularly coordinating to review payroll to limit possible errors that would result in overpayment.



Finding #6: Budget Amendments Recorded Without Approval

The report finds that Edgemcombe County recorded 26 budget amendments totaling \$9.6 million in its financial system during fiscal year 2021 without approval by the Board of Commissioners. This is simply not true. The conclusion that Edgemcombe County recorded these 26 budget amendments in its financial system without approval by the Board of Commissioners is an inaccurate and incomplete characterization of how the budget amendments were approved in fiscal year 2021. We acknowledge the budget amendment approval process was not documented in accordance with county policy in limited instances, however, it is necessary for us to provide further information to clarify the finding. **To be clear, the Board of Commissioners did approve 24 of the 26 budget amendments noted in the report, and the Board was aware of the two grant-funded projects related to the remaining two budget amendments.** Both of these grant-funded projects were budgeted in a prior fiscal year, were rolled over to the following budget year by budget amendment, and were ultimately fully reimbursed to the County, as expected.

The Board of Commissioners approves a fiscal year budget annually in June and any changes to the budget during the fiscal year are enacted through budget amendments, some of which require Board of Commissioners approval. The Board of Commissioners regularly considers hundreds of budget amendments throughout the year. The County's procedure requires that once budget amendments are approved by the Board of Commissioners, the budget amendments are entered into the County's financial system to amend the budget accordingly.

Two Budget Amendments for Grant-Funded Projects Totaling \$4,141,030.02

Of the 26 budget amendments identified in this report, two of them, one for \$2,563,128.79 and one for \$1,577,901.23 were related to grant-funded infrastructure projects. We acknowledge that the budget amendments to roll these two projects forward to the next fiscal year were not approved by the Board of Commissioners. However, these two budget amendments were related to existing grant-funded projects that the Board of Commissioners had previously approved grant agreements, project ordinances, and budget amendments to fund in prior fiscal years. These two budget amendments were needed to simply roll forward from the previous fiscal year the balances remaining on these grant projects, which had been previously approved and adopted by the Board of Commissioners. Although it was an error to not submit these budget amendment forms to the Board of Commissioners to roll these grant projects forward to the next fiscal year, the Board was at all times aware of the ongoing grant-funded projects and that related expenditures would be reimbursed by the grants.

Fourteen Budget Amendments Included in Agenda Packets, but Not Listed in Minute Books Totaling \$4,097,574

Of the 26 budget amendments identified in the report, 14 budget amendments totaling \$4,097,574, were identified as missing from the official minute book, but were noted by the State Auditor's Representative as being included in the Commissioners' monthly meeting agenda packets. Each month



at its regular meeting, the Board of Commissioners considers any amendment to the budget by reviewing budget amendments submitted by county staff in the Commissioners' agenda packets. We agree with the State Auditor's Office that these 14 budget amendments were included in the Commissioners' agenda packets during a regular monthly meeting. It is the Board's practice to consider and vote on all budget amendments included in their monthly agenda packet. The minutes of each Board meeting reflect whether proposed budget amendments were considered or approved. In addition, it is the county staff's practice to include copies of approved budget amendments in the minute book along with the approved minutes of the Board. In these limited instances, the Board of Commissioners approved these 14 budget amendments, and the minutes of the respective meetings document their approval, but copies were not included in the minute book. **Therefore, the Board of Commissioners was aware of and approved all 14 of these amendments to the fiscal year 2021 budget.**

Ten Supplemental Budget Amendments

From time-to-time, county staff have the need to submit budget amendments for the Board of Commissioners to consider after the agenda packets have been distributed on the Friday afternoon before each month's Monday night meeting. The remaining 10 budget amendments noted in the report totaling \$1,335,843 appear to be budget amendments that were not initially included in the Board of Commissioners' agenda packets that were distributed on a Friday afternoon, but instead were prepared by county staff on a Monday before a monthly meeting and added to the agenda at the meeting. Each of these supplemental budget amendments was properly considered by the Board of Commissioners at a regular monthly meeting. However, because these budget amendments were supplemented to the agenda after the agenda packet's distribution, these ten budget amendments were not included in the original agenda packet and copies of the amendments were mistakenly not included in the minute book. **The Board is confident that it properly considered and approved these ten budget amendments at a meeting.**

Revisions to Documenting the Budget Amendment Review Process

Although 24 of the 26 budget amendments noted in the report were approved by the Board of Commissioners and the Board of Commissioners was aware of the two grant-funded projects budgeted in the prior fiscal year related to the two remaining budget amendments, the County acknowledges that a limited number of budget amendments for fiscal year 2021 were entered into the County's financial system without clear documentation of approval by the Board of Commissioners. To better document that all budget amendments entered in the financial system have been approved by the Board of Commissioners, we have adjusted our procedures to now require that each budget amendment form be signed by the Clerk to the Board after the meeting to note whether it was approved by the Board. Then, after a meeting, copies of each approved budget amendment are given to the CFO, who has instructed her staff to only record budget amendments in the financial system that are signed by the Clerk to indicate approval by the Board of Commissioners.



Again, to be clear, the Board of Commissioners is confident that it did approve 24 of the 26 budget amendments identified in the report and was aware of the spending related to the other two amendments. Therefore, the Board emphatically denies the report's conclusion in this finding that \$9.6 million was entered in the County's financial system without approval by the Board of Commissioners. We are disappointed the State Auditor was not satisfied with our thorough explanation of how these budget amendments were approved but not always well-documented. Although the amount identified in the finding is significant, the Board notes this finding is not included in the list of the report's key findings, which seems to suggest the State Auditor understands the Board's reasonable explanation regarding these budget amendments, and that the Board of Commissioners was in control of spending related to these amendments.

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20601 Mail Service Center
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