

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

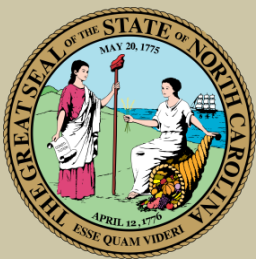


CORONAVIRUS RELIEF FUND

PRELIMINARY FINANCIAL AUDIT

OFFICE OF STATE BUDGET AND MANAGEMENT

MARCH 2021



NCOSA
The Taxpayers' Watchdog

EXECUTIVE SUMMARY

PURPOSE

The purpose of this audit was to determine whether the Office of State Budget and Management (OSBM) **accounted for, allocated, and disbursed** amounts appropriated to the State of North Carolina's Coronavirus Relief Fund in accordance with 2020 COVID-19 Recovery Act legislation (Recovery Act).¹

BACKGROUND

On May 4, 2020, the North Carolina General Assembly enacted the 2020 COVID-19 Recovery Act.² The Recovery Act established the State's Coronavirus Relief Fund³ for the purpose of providing necessary and appropriate relief and assistance from the effects of COVID-19. The Fund provided a total of \$3.6 billion in federal assistance to various entities across the State.

The Recovery Act required OSBM to administer the Coronavirus Relief Fund to carry out the provisions of the law, and to ensure the proper reporting and accounting of the Coronavirus Relief Fund.⁴

KEY FINDINGS

OSBM accounted for, allocated, and disbursed amounts appropriated to the State of North Carolina's Coronavirus Relief Fund in accordance with 2020 COVID-19 Recovery Act legislation. As of December 31, 2020, OSBM:

- Disbursed \$307.8 million to local governments.
- Disbursed \$1.6 billion to state agencies.
- Disbursed \$93.5 million to hospitals.
- Disbursed \$508.1 million to offset state general fund expenditures.
- Disbursed \$521.5 million to public schools and higher education.
- Disbursed \$329.3 million to nonprofits.

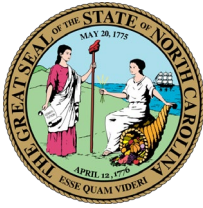
¹ See Appendix D for details regarding legislation affecting the State's Coronavirus Relief Fund, collectively referred to as the Recovery Act.

² Session Law 2020-4.

³ Session Law 2020-4 Section 2.2.

⁴ Session Law 2020-4 Section 4.3.

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Charles Perusse, State Budget Director
Stephanie McGarrah, Executive Director, North Carolina Pandemic Recovery Office

Ladies and Gentlemen:

We are pleased to submit this performance audit report titled *Coronavirus Relief Fund – Preliminary Financial Audit*. The audit objective was to determine whether the Office of State Budget and Management accounted for, allocated, and disbursed amounts appropriated to the State of North Carolina's Coronavirus Relief Fund in accordance with 2020 COVID-19 Recovery Act legislation.

The State Budget Director reviewed a draft copy of this report. His written comments are included starting on page 20.

This audit was conducted in accordance with Chapter 147, Article 5A of the North Carolina General Statutes.

We appreciate the courtesy and cooperation received from management and the employees of the Office of State Budget and Management during our audit.

Respectfully submitted,

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

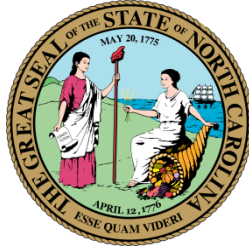
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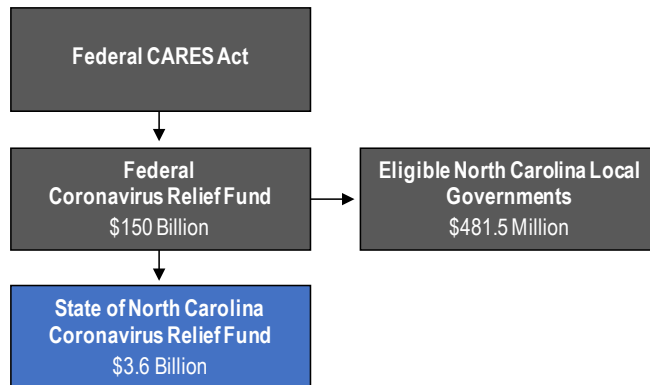
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BACKGROUND

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act.⁵ The CARES Act established the federal Coronavirus Relief Fund and appropriated \$150 billion to this fund for distribution to state, local, and tribal governments.⁶ The State of North Carolina received a total of \$3.6 billion in financial assistance through the federal Coronavirus Relief Fund. In addition, eligible North Carolina local governments also received a total of \$481.5 million in CARES Act assistance directly from the U.S. Department of the Treasury.⁷



The purpose of these funds is to provide financial assistance to cover costs that:

- 1) Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19)
- 2) Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government
- 3) Were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021⁸

The North Carolina General Assembly enacted the 2020 COVID-19 Recovery Act⁹ (Recovery Act) on May 4, 2020, to assist local governments, communities, families, workers and other individuals, and businesses by providing federal relief and recovery funds from the CARES Act.

The Recovery Act established a Coronavirus Relief Fund that is to be maintained as a special fund, administered by the North Carolina Office of State Budget and Management (OSBM), to carry out the provisions of the law. The funds are to be used “in a manner that is consistent with the authorizing federal legislation and that responsibly provides for the public health and economic well-being of the State.”¹⁰ The State’s Coronavirus Relief Fund does not include amounts received directly from the U.S. Department of the Treasury by eligible North Carolina local governments, and accordingly, these funds are **not included** within the scope of this audit.

⁵ U.S. Public Law 116-136.

⁶ <https://home.treasury.gov/system/files/136/Payments-to-States-and-Units-of-Local-Government.pdf>.

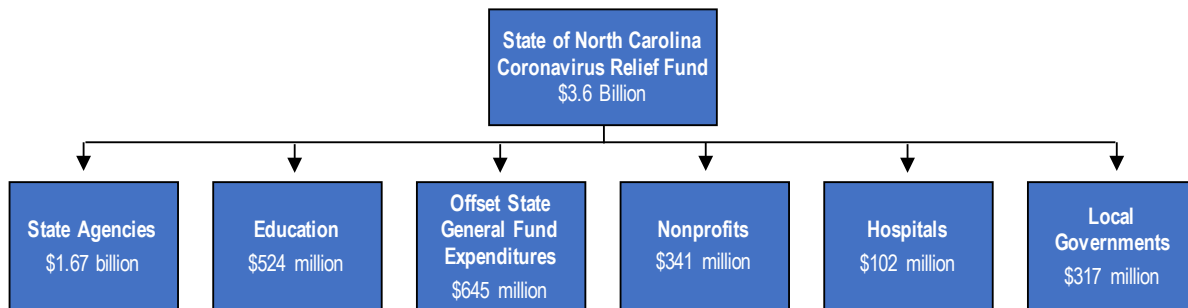
⁷ Eligible local governments included the City of Charlotte (\$154.6 million), Guilford County (\$93.7 million), Mecklenburg County (\$39.2 million), and Wake County (\$194 million).

⁸ The President of the United States signed H.R. 133 (Consolidated Appropriations Act, 2021) into law on December 27, 2020. One of the provisions of this law (Section 1001) extended the period during which allowable costs could be incurred from December 30, 2020, to December 31, 2021.

⁹ Session Law 2020-4.

¹⁰ Session Law 2020-4 Section 1.3.

Through a series of legislation,¹¹ the State appropriated approximately \$3.6 billion to various state, local, and private entities through the Coronavirus Relief Fund as shown in the following illustration:



The Recovery Act also directed OSBM to create a temporary North Carolina Pandemic Recovery Office (NCPRO) to oversee and coordinate funds made available under COVID-19 recovery legislation.¹² NCPRO is responsible for:

- Providing technical assistance
- Ensuring coordination of federal funds received by state agencies and local governments
- Ensuring proper reporting and accounting of all funds

Unless stated otherwise, references to OSBM in this report also encompass the responsibilities and activities of NCPRO.

The Recovery Act required OSBM to administer the Coronavirus Relief Fund to carry out the provisions of the law, and to ensure the proper reporting and accounting of the Coronavirus Relief Fund. Specifically, OSBM is required to:

- Allocate and disburse Coronavirus Relief Funds as directed by the Recovery Act.
- Ensure adherence with the compliance requirements established by the U.S. Department of the Treasury.
- Account for the Coronavirus Fund in accordance with generally accepted accounting principles and the requirements established by the North Carolina Office of the State Controller.¹³
- Adhere to the reporting requirements established by the Recovery Act.

Key terms discussed in this report include:

CARES Act - The federal Coronavirus Aid, Relief, and Economic Security Act (U.S. Public Law 116-136) that created the federal Coronavirus Relief Fund.

¹¹ See Appendix D for details regarding legislation affecting the State's Coronavirus Relief Fund, collectively referred to as the Recovery Act.

¹² Session Law 2020-4 Section 4.3.

¹³ North Carolina Office of the State Controller, [Memorandum 20-30](#).

Recovery Act - The 2020 COVID-19 Recovery Act¹⁴ and subsequent legislation enacted by the State of North Carolina to establish the Coronavirus Relief Fund and assist local governments, communities, families, workers and other individuals and businesses by providing federal relief and recovery funds from the CARES Act.

Coronavirus Relief Fund - The fund established by the State to provide necessary and appropriate relief from the effects of COVID-19.

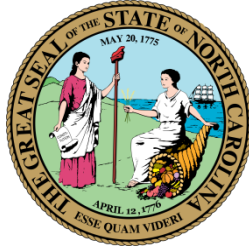
COVID-19 - The severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) that emerged in December 2019.

Responsible parties discussed in this report include:

North Carolina Office of State Budget and Management (OSBM) - OSBM delivers budget development and management services for the State. The Recovery Act established a Coronavirus Relief Fund that is to be maintained as a special fund, administered by OSBM, to carry out the provisions of the law.

North Carolina Pandemic Recovery Office (NCPRO) - The temporary North Carolina Pandemic Recovery Office created to oversee and coordinate funds made available under COVID-19 Recovery Act legislation.

¹⁴ Session Law 2020-4.



OBJECTIVE, SCOPE, AND METHODOLOGY

The audit objective was to determine whether the Office of State Budget and Management (OSBM) accounted for, allocated, and disbursed amounts appropriated to the State of North Carolina's Coronavirus Relief Fund in accordance with 2020 COVID-19 Recovery Act legislation (Recovery Act).¹⁵

The audit scope included OSBM's accounting, allocation, and disbursement transactions related to the Coronavirus Relief Fund for the period May 4, 2020, through December 31, 2020.

The audit scope **did not include** funds received by eligible North Carolina local governments directly from the U.S. Department of the Treasury. Further, the following matters **were not included** in the audit scope and objective:

- Compliance with requirements established by the U.S. Department of the Treasury.
- Adherence to reporting requirements established by the Recovery Act.
- Whether Coronavirus Relief Funds were spent in accordance with the Recovery Act.
- Whether programs that received Coronavirus Relief Funds accomplished their intended purpose.
- Disbursements of Coronavirus Relief Funds to subrecipients, beneficiaries, municipalities, or other secondary entities that did not receive funds directly from OSBM.

To accomplish the audit objective, auditors:

- Reviewed relevant laws and regulations.
- Interviewed OSBM and North Carolina Pandemic Recovery Office (NCPRO) personnel.
- Reperformed all 102 (100%) required allocations to local governments¹⁶ using the criteria established in the Recovery Act to ensure amounts were allocated in accordance with the law.
- Reperformed all 137 (100%) required allocations to hospitals¹⁷ using the criteria established in the Recovery Act to ensure amounts were allocated in accordance with the law.
- Reconciled OSBM's accounting records for allocations and disbursements to the authorizing legislation and accounting requirements established by the North Carolina Office of the State Controller¹⁸ to ensure the Coronavirus Relief Fund was accounted for, allocated, and disbursed in accordance with the Recovery Act.
- Examined additional OSBM allocation schedules, contracts with hospitals and nonprofits, OSBM memoranda, banking records, and other documentation supporting all 1,001 (100%) disbursements from the Coronavirus Relief Fund to ensure funds were disbursed in accordance with the Recovery Act.

¹⁵ See Appendix D for details regarding legislation affecting the State's Coronavirus Relief Fund, collectively referred to as the Recovery Act.

¹⁶ Session Law 2020-4 Section 3.3 (2), as amended.

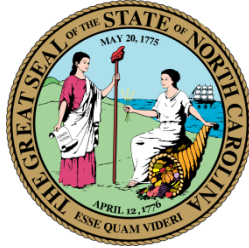
¹⁷ Session Law 2020-4 Section 3.3 (39), (40), (41), and (68), as amended.

¹⁸ North Carolina Office of the State Controller, [Memorandum 20-30](#).

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or instances of noncompliance.

As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards. However, our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion. See Appendix E for internal control components and underlying principles that were significant to our audit objective.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

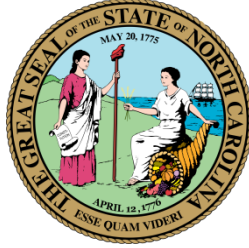


RESULTS AND CONCLUSIONS

During the period May 4, 2020, to December 31, 2020, the Office of State Budget and Management (OSBM) **accounted for, allocated, and disbursed** amounts appropriated to the State of North Carolina's Coronavirus Relief Fund in accordance with 2020 COVID-19 Recovery Act legislation.¹⁹ OSBM allocated a total of \$3.6 billion in Coronavirus Relief Funds. As of December 31, 2020, \$3.4 billion (94%) was disbursed to recipients.²⁰

¹⁹ See Appendix D for details regarding legislation affecting the State's Coronavirus Relief Fund, collectively referred to as the Recovery Act.

²⁰ See Appendix A for details regarding allocations and disbursements by major recipient type.



FINDINGS

1. ALLOCATIONS AND DISBURSEMENTS TO LOCAL GOVERNMENTS

The Office of State Budget and Management (OSBM) **allocated** \$316.8 million from the Coronavirus Relief Fund to local governments in accordance with 2020 COVID-19 Recovery Act legislation (Recovery Act). Of this amount, \$307.8 million (97%) was **disbursed** as of December 31, 2020.

The Recovery Act²¹ required that OSBM allocate \$300 million to North Carolina counties ineligible to receive direct funding²² from the CARES Act. The Recovery Act required a base allocation of \$250,000 to each eligible county, with the remaining amount allocated on a per-capita basis using U.S. Census Bureau Vintage 2019 county population totals.²³

The Recovery Act also required OSBM to allocate a total of \$16.8 million to four counties and one municipality through separate allocations.

Auditors tested 102 (100%) of OSBM's allocations and 198 (100%) of OSBM's disbursements to local governments through December 31, 2020. Auditors found that all 102 (100%) allocations and all 198 (100%) disbursements were properly **accounted for, allocated, and disbursed** in accordance with the Recovery Act.

The following table illustrates the total amounts allocated, disbursed, and remaining to be disbursed to local governments as of December 31, 2020:

Recipient	Authorizing Legislation ^A	Allocated	Disbursed	Remaining
Counties ineligible for direct CARES Act Funding ^B	Section 3.3 (2)	\$ 300,000,000	\$ 300,000,000	\$ -
Gaston County	Section 3.3 (94)	5,300,000	5,300,000	-
Iredell County	Section 3.3 (114a)	34,000	34,000	-
Watauga County	Section 3.3 (114c)	10,000	10,000	-
Randolph County	Section 3.3 (69)	2,500,000	2,500,000	-
City of Conover	Section 3.3 (94)	9,000,000	-	9,000,000
Totals		\$ 316,844,000	\$ 307,844,000	\$ 9,000,000

^A All legislative references below are to SL 2020-4, as amended.

^B See Appendix B for a schedule of allocations to counties ineligible for direct CARES Act funding.

The \$9 million remaining to be disbursed to the City of Conover was delayed as a result of the recipient initially declining receipt of funds. Of the \$9 million allocated to the City of Conover on September 4, 2020, \$7.2 million was allocated *"to construct a purpose-built facility to house testing labs, rapid prototyping, and a textile sourcing library."*²⁴ At the time of this allocation, federal guidelines limited the use of Coronavirus Relief Funds to only those costs incurred through December 30, 2020, and there were concerns as to whether the required facility could be constructed by this deadline.

²¹ Session Law 2020-4 Section 3.3 (2), as amended.

²² Local governments with populations exceeding 500,000 were eligible to apply for direct funding from the CARES Act Coronavirus Relief Fund (U.S. Public Law 116-136, Title V, Section 5001).

²³ Counties that received allocations through Session Law 2020-4 Section 3.3 (2), as amended, were required to allocate at least 25% of the funds received to municipalities within that county if the transfer qualified as a necessary expenditure incurred due to the public health emergency and met other criteria of the Social Security Act Section 601(d). These subsequent allocations and disbursements to municipalities were not included in the audit scope or objective.

²⁴ Session Law 2020-4 Section 3.3 (94)(a)(1), as amended.

On December 27, 2020, new federal legislation²⁵ extended the period during which allowable costs could be incurred for the Coronavirus Relief Fund from December 30, 2020, to December 31, 2021. As a result of this extension, the City of Conover accepted and received the \$9 million allocation in January 2021.

2. ALLOCATIONS AND DISBURSEMENTS TO STATE AGENCIES

The Office of State Budget and Management (OSBM) **allocated** \$1.67 billion from the Coronavirus Relief Fund to state agencies in accordance with 2020 COVID-19 Recovery Act legislation (Recovery Act). Recipients returned \$112.8 million of allocated funds, \$53.2 million of which were reallocated, resulting in final allocations of \$1.61 billion. Of this amount, \$1.60 billion (99%) was **disbursed** as of December 31, 2020.

The Recovery Act required that OSBM allocate \$1.67 billion to state agencies as shown in the table below. On September 4, 2020, the General Assembly enacted Session Law 2020-97 which provided OSBM the authority to reallocate Coronavirus Relief Funds appropriated by the Recovery Act.²⁶ Funds were eligible for reallocation only when the following conditions were met:²⁷

- The appropriated funds are unexpended on November 20, 2020.
- There is not a reasonable expectation that the funds will be expended before the deadline established by applicable federal law or guidance.
- Reallocated funds must support existing activities authorized by the Recovery Act and shall not be used for any new activity, purpose, or program.

Auditors tested 65 (100%) of OSBM's allocations and 229 (100%) of OSBM's disbursements to state agencies through December 31, 2020. Auditors found that all 65 (100%) allocations and all 229 (100%) disbursements were properly **accounted for, allocated, and disbursed** in accordance with the Recovery Act.

²⁵ H.R. 133 Section 1001 (Consolidated Appropriations Act, 2021).

²⁶ Session Law 2020-97 Section 1.9 (b).

²⁷ Session Law 2020-97 Section 1.9 (b)(1-3).

The following table illustrates the total amounts allocated, returned/reallocated, disbursed, and remaining to be disbursed to state agencies as of December 31, 2020:

Recipient	Authorizing Legislation ^A	Allocated	(Returned)/ Reallocated	Net Allocation	Disbursed	Remaining
Department of Commerce	See Footnote ^B	\$ 223,875,000	\$ (50,250,000)	\$ 173,625,000	\$ 173,625,000	\$ -
Administrative Office of the Courts	Sections 3.3 (105b)	50,000		50,000	50,000	-
Department of Information Technology	Sections 3.3 (46), (49), (53)	42,350,000		42,350,000	42,350,000	-
Department of Public Safety	See Footnote ^C	156,200,530		156,200,530	156,200,530	-
State Government Continuity of Operations	Section 3.3 (3)	237,500,000	53,228,960	290,728,960	280,047,950	10,681,010
Department of Health and Human Services	See Footnote ^D	486,340,000		486,340,000	486,340,000	-
Department of Agriculture	Section 3.3 (43), (47), (76-78a)	39,000,000		39,000,000	39,000,000	-
General Assembly	Section 3.3 (5), (48)	2,100,000		2,100,000	2,100,000	-
Department of Administration	Section 3.3 (102-103)	12,050,000		12,050,000	12,050,000	-
State Board of Elections	Sections 3.3 (104)	5,000,000		5,000,000	5,000,000	-
Department of Natural and Cultural Resources	Section 3.3 (56-58), (78-79)	24,000,000		24,000,000	24,000,000	-
Wildlife Commission	Sections 3.3 (55)	2,000,000		2,000,000	2,000,000	-
Department of Revenue	Sections 3.3 (72)	440,541,000	(62,600,000)	377,941,000	377,941,000	-
Totals		\$ 1,671,006,530	\$ (59,621,040)	\$ 1,611,385,490	\$ 1,600,704,480	\$ 10,681,010

^A All legislative references below are to SL 2020-4, as amended.

^B Authorizing legislation includes SL 2020-4 Section 3.3 (3), (44), (51), (59-62), (75), (80-81), and SL 2020-53 Section (1b-c).

^C Authorizing legislation includes SL 2020-4 Section 3.3 (1), (3), (52), (54), (105), and SL 2020-14 Section 3.

^D Authorizing legislation includes SL 2020-4 Section 3.3 (27-31), (33), (35-37), (42), (67), (106-106c), (107), (109), (114d), (114f), and SL 2020-88 Section 3a-b, and 3A(a-b).

The Department of Revenue returned \$62.6 million of funds allocated to the Extra Credit Grant Program. The Recovery Act allocated \$440.5 million to this program for the purpose of providing relief to North Carolina citizens with qualifying children in the form of a \$335 payment to each eligible citizen.²⁸ The Recovery Act required the Department of Revenue to complete all payments for the Extra Credit Grant program by December 15, 2020.²⁹ The returned funds represent the remainder of the \$440.5 million allocation after payments were provided to all eligible citizens identified prior to this deadline.

The North Carolina General Assembly enacted Session Law 2021-1 on February 10, 2021. This legislation extended both the application deadline and payment period for the Extra Credit Grant Program.³⁰

The Department of Commerce returned \$50 million of funds allocated to provide increased unemployment benefit payments during the pandemic.³¹ The returned funds represent the remainder of the \$87 million allocation that was not needed to fund increased unemployment benefit payments. The Department of Commerce returned an additional \$250,000 allocated to provide economic development assistance to Sampson County.³² The Sampson County Economic Development Commission declined the allocated funds due to timing concerns and other external factors.

²⁸ Session Law 2020-4 Section 3.3 (72), 4.12(a)-(d).

²⁹ Session Law 2020-4 Section 4.12(c).

³⁰ Session Law 2021-1 Section 1 extended the application period for the Extra Credit Grant Program to May 31, 2021, and amended the payment period to "as soon as practicable."

³¹ Session Law 2020-4 Section 3.3 (75), as amended.

³² Session Law 2020-4 Section 3.3 (80), as amended.

OSBM reallocated \$53.2 million of the returned amounts shown above. Specifically, OSBM reallocated these funds to cover hazard pay for the Department of Public Safety through the Recovery Act's continuity of operations allocation.³³

The \$10.7 million remaining to be disbursed in the continuity of operations allocation represents the remaining balance for which recipients have yet to request reimbursement.

3. ALLOCATIONS AND DISBURSEMENTS TO HOSPITALS

The Office of State Budget and Management (OSBM) **allocated** \$102 million from the Coronavirus Relief Fund to hospitals in accordance with 2020 COVID-19 Recovery Act legislation (Recovery Act). Recipients declined \$5.8 million of allocated funds, resulting in final allocations of \$96.2 million. Of this amount, \$93.5 million (97%) was **disbursed** as of December 31, 2020.

The Recovery Act required that OSBM allocate \$102 million to hospitals through four separate allocations,³⁴ including two allocations to specific hospitals at specified amounts.³⁵ The two additional allocations required a base allocation to each eligible hospital, with the remaining amount allocated based on each hospital's pro rata share of the total 2018 operating expenses for each overall allocation.³⁶

Auditors tested 137 (100%) of OSBM's allocations and 318 (100%) of OSBM's disbursements to hospitals through December 31, 2020. Auditors found that all 137 (100%) allocations and all 318 (100%) disbursements were properly **accounted for, allocated, and disbursed** in accordance with the Recovery Act.

The following table illustrates the total amounts allocated, declined, disbursed, and remaining to be disbursed to hospitals as of December 31, 2020:

Recipient	Authorizing Legislation ^A	Allocated	Declined	Net		Remaining
				Allocation	Disbursed	
Rural Hospitals ^B	Section 3.3 (39)	\$ 65,000,000	\$ (3,171,784)	\$61,828,216	\$60,830,017	\$ 998,199
General Hospitals ^B	Section 3.3 (41)	15,000,000	(1,283,465)	13,716,535	13,522,887	193,648
Central Harnett Hospital	Section 3.3 (40)	3,000,000		3,000,000	3,000,000	-
Duke University Hospital	Section 3.3 (40)	3,000,000		3,000,000	3,000,000	-
Wake Forest Baptist Medical Center	Section 3.3 (40)	3,000,000		3,000,000	1,500,000	1,500,000
UNC Chapel Hill Medical Center	Section 3.3 (40)	3,000,000		3,000,000	3,000,000	-
Vidant Medical Center	Section 3.3 (40)	3,000,000		3,000,000	3,000,000	-
Good Hope Hospital, Inc.	Section 3.3 (68)	1,000,000		1,000,000	998,589	1,411
Lake Norman Regional Medical Center	Section 3.3 (68)	1,000,000	(612,115)	387,885	387,885	-
Cape Fear Valley Health Hoke Hospital	Section 3.3 (68)	1,000,000		1,000,000	1,000,000	-
Catawba Valley Medical Center	Section 3.3 (68)	1,000,000		1,000,000	1,000,000	-
Davis Regional Medical Center	Section 3.3 (68)	1,000,000	(747,288)	252,712	252,712	-
Carolinas Healthcare System Blue Ridge	Section 3.3 (68)	1,000,000		1,000,000	1,000,000	-
AdventHealth Hendersonville	Section 3.3 (68)	1,000,000		1,000,000	1,000,000	-
Totals		\$ 102,000,000	\$ (5,814,652)	\$96,185,348	\$93,492,090	\$ 2,693,258

^A All legislative references below are to Session Law 2020-4, as amended.

^B See Appendix C for detailed schedules of Rural and General hospital allocations.

³³ Session Law 2020-4 Section 3.3 (3), as amended.

³⁴ Session Law 2020-4 Section 3.3 (39), (40), (41), and (68), as amended.

³⁵ Session Law 2020-4 Section 3.3 (40) and (68), as amended.

³⁶ Session Law 2020-4 Section 3.3 (39) and (41), as amended.

Thirteen hospitals declined receipt of \$5.8 million in allocated funds. These hospitals declined funds due to concerns as to whether they could be used in accordance with state and federal requirements, as well as concerns regarding additional audit requirements associated with the expenditure of federal aid.³⁷

OSBM administered allocations to hospitals by providing 50% of the allocated amount upon the recipient's acceptance of funds, with the remaining amount disbursed on a reimbursement basis. The \$2.7 million remaining to be disbursed was the result of hospitals yet to request reimbursement for their full allocation.

4. ALLOCATIONS AND DISBURSEMENTS TO OFFSET STATE GENERAL FUND EXPENDITURES

The Office of State Budget and Management (OSBM) **allocated** \$645.4 million from the Coronavirus Relief Fund to offset state general fund appropriations in accordance with 2020 COVID-19 Recovery Act legislation (Recovery Act). Of this amount, \$508.1 million (79%) was **disbursed** as of December 31, 2020.

The Recovery Act required that OSBM allocate \$645.4 million from the Coronavirus Relief Fund to offset general fund appropriations for the 2020-2021 fiscal year across North Carolina state government for expenditures incurred that are allowable under federal requirements.³⁸ These allocations did not increase the recipient's total general fund appropriations, but rather reduced the net general fund appropriations for the receiving state agency or department.³⁹

Auditors tested 55 (100%) of OSBM's allocations and 55 (100%) of OSBM's disbursements to offset state general fund expenditures through December 31, 2020. Auditors found that all 55 (100%) allocations and all 55 (100%) disbursements were properly **accounted for, allocated, and disbursed** in accordance with the Recovery Act.

The following table illustrates the total amounts disbursed to offset state general fund appropriations as of December 31, 2020:

Recipient	Disbursed	Recipient	Disbursed
Department of Public Safety	\$ 478,779,422	North Carolina State University	\$ 873,935
Department of Natural and Cultural Resources	5,471,671	Department of Agriculture	636,342
Department of Health and Human Services	3,883,324	North Carolina School of the Arts	608,792
Wildlife Resources Commission	1,878,581	University of North Carolina at Wilmington	573,776
Department of Justice	1,832,320	Winston-Salem State University	565,669
NC Agricultural & Technical State University	1,587,331	North Carolina Central University	482,089
East Carolina University	1,544,446	Western Carolina University	364,683
Department of Environmental Quality	1,368,493	Elizabeth City State University	354,137
University of North Carolina at Chapel Hill	1,285,312	Department of Revenue	331,573
University of North Carolina at Greensboro	1,244,762	Fayetteville State University	318,411
General Assembly	1,240,719	University of North Carolina at Asheville	291,366
Appalachian State University	1,086,645	University of North Carolina at Pembroke	282,980
University of North Carolina at Charlotte	1,026,467	Administrative Office of the Courts	199,195
		Total	\$ 508,112,441

³⁷ Entities that expend \$750,000 or more in federal awards during a fiscal year must have a single audit or program-specific audit conducted for that period (2 CFR 200 Section 200.501(a)).

³⁸ Session Law 2020-64 Section 8(b) through (f).

³⁹ Session Law 2020-64 Section 8(e).

The \$137.3 million remaining to be disbursed represents general fund offset expenditures incurred during December 2020 for which recipients have yet to request reimbursement.

The North Carolina General Assembly enacted Session Law 2021-1 on February 10, 2021. This legislation increased the total allocated to offset state general fund expenditures to \$684.4 million, and extended the period over which these funds may be used from December 30, 2020 to June 30, 2021.⁴⁰

5. ALLOCATIONS AND DISBURSEMENTS TO PUBLIC SCHOOLS AND HIGHER EDUCATION

The Office of State Budget and Management (OSBM) **allocated** \$523.6 million from the Coronavirus Relief Fund to public schools and higher education in accordance with 2020 COVID-19 Recovery Act legislation (Recovery Act). Recipients returned \$2.1 million of allocated funds, resulting in final allocations of \$521.5 million. Of this amount, \$521.5 million (100%) was **disbursed** as of December 31, 2020.

Auditors tested 42 (100%) of OSBM's allocations and 47 (100%) of OSBM's disbursements to public schools and higher education through December 31, 2020. Auditors found that all 42 (100%) allocations and all 47 (100%) disbursements were properly **accounted for, allocated, and disbursed** in accordance with the Recovery Act.

The following table illustrates the total amounts allocated, returned, disbursed, and remaining to be disbursed to public school and higher education as of December 31, 2020:

Recipient	Authorizing Legislation ^A	Allocated	Returned	Net		Remaining
				Allocation	Disbursed	
Department of Public Instruction	See Footnote ^B	\$ 316,363,029	\$ -	\$ 316,363,029	\$ 316,363,029	\$ -
NC Community College System	See Footnote ^C	77,500,000	-	77,500,000	77,500,000	-
The University of North Carolina	Section 3.3 (20), (21), (85-88), (96)	104,950,000	(2,100,000)	102,850,000	102,850,000	-
UNC Chapel Hill	Section 3.3 (50), (97)	5,300,000	-	5,300,000	5,300,000	-
UNC Pembroke	Section 3.3 (65), (66)	5,000,000	-	5,000,000	5,000,000	-
UNC Charlotte	Section 3.3 (84)	9,000,000	-	9,000,000	9,000,000	-
East Carolina University	Section 3.3 (98)	500,000	-	500,000	500,000	-
Fayetteville State University	Section 3.3 (99)	5,000,000	-	5,000,000	5,000,000	-
Totals		\$ 523,613,029	\$ (2,100,000)	\$ 521,513,029	\$ 521,513,029	\$ -

^A All legislative references below are to SL 2020-4, as amended, unless otherwise indicated.

^B Authorizing legislation includes SL 2020-4 Section 3.3 (6-18), (63-64), (89-92), (100), and SL 2020-27 Section (4b-c).

^C Authorizing legislation includes SL 2020-4 Section 3.3 (19), (83), (93), (95), and SL 2020-64 Section (3-4).

The Board of Governors of The University of North Carolina returned \$2.1 million of funds allocated to provide scholarships for the fall semester of the 2020-2021 school year to students with disabilities.⁴¹ The returned funds represent the remainder of the \$6.5 million allocation after awards were provided to all eligible students for the fall semester of the 2020-2021 school year.

The North Carolina General Assembly enacted Session Law 2021-1 on February 10, 2021. This legislation amended the initial allocation to extend the scholarship period through the spring semester of the 2020-2021 school year.⁴²

⁴⁰ Session Law 2021-1 Section 3.7.

⁴¹ Session Law 2020-4 Section (86), as amended.

⁴² Session Law 2021-1 Section 3.1.

6. ALLOCATIONS AND DISBURSEMENTS TO NONPROFITS

The Office of State Budget and Management (OSBM) **allocated** \$341.5 million from the Coronavirus Relief Fund to nonprofits in accordance with 2020 COVID-19 Recovery Act legislation (Recovery Act). Of this amount, \$329.2 million (96%) was **disbursed** as of December 31, 2020.

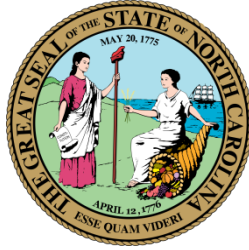
Auditors tested 36 (100%) of OSBM's allocations and 154 (100%) of OSBM's disbursements to nonprofits through December 31, 2020. Auditors found that all 36 (100%) allocations and all 154 (100%) disbursements were properly **accounted for, allocated, and disbursed** in accordance with the Recovery Act.

The following table illustrates the total amounts allocated, disbursed, and remaining to be disbursed to nonprofits as of December 31, 2020:

Recipient	Authorizing Legislation ^A	Allocated	Disbursed	Remaining
Golden LEAF Foundation	Section 3.3 (45)	\$ 75,000,000	\$ 75,000,000	\$ -
North Carolina Medical Society Foundation	Section 3.3 (1c), (114b)	30,000,000	29,783,000	217,000
North Carolina Policy Collaboratory at UNC Chapel Hill	Section 3.3 (23)	29,000,000	29,000,000	-
North Carolina Healthcare Foundation	Section 3.3 (1a)	25,000,000	25,000,000	-
North Carolina Health Care Facilities Association	Section 3.3 (1b), (35a), (114e)	24,917,539	21,746,121	3,171,418
Wake Forest University Health Services	Section 3.3 (26)	20,000,000	16,085,044	3,914,956
North Carolina Alliance of YMCAs	Section 3.3 (103a)	19,850,000	19,071,446	778,554
North Carolina Senior Living Association	Section 3.3 (1b), (35a), (114e)	19,167,539	19,146,179	21,360
Duke University Human Vaccine Institute	Section 3.3 (22)	17,000,000	17,000,000	-
North Carolina Assisted Living Association	Section 3.3 (35a), (114), (114e)	16,167,539	16,017,816	149,723
Brody School of Medicine at ECU	Section 3.3 (24)	15,000,000	13,308,168	1,691,832
NC Association of Free and Charitable Clinics	Section 3.3 (32)	12,425,000	12,425,000	-
NC Community Health Center Association	Section 3.3 (34)	11,825,000	11,825,000	-
Campbell University School of Osteopathic Medicine	Section 3.3 (25)	6,000,000	6,000,000	-
Community Foundation of Greater Greensboro, Inc.	Section 3.3 (101)	4,500,000	3,770,725	729,275
Children's Advocacy Centers of North Carolina, Inc.	Section 3.3 (70)	4,300,000	3,419,709	880,291
CAGC Foundation, Inc.	Section 3.3 (74)	3,750,000	3,658,093	91,907
Carolina Small Business Development Fund	Section 3.3 (73)	2,000,000	1,545,130	454,870
Old North State Medical Society, Inc.	Section 3.3 (38)	1,800,000	1,750,241	49,759
Nurse Family Partnership	Section 3.3 (112)	1,000,000	882,810	117,190
Carolina Ballet	Section 3.3 (79a)	700,000	700,000	-
Triangle Residential	Section 3.3 (111)	500,000	500,000	-
Bridge to Recovery, Inc.	Section 3.3 (110)	400,000	400,000	-
Crossnore School and Children's Home	Section 3.3 (71)	375,000	375,000	-
Black River Health Services, Inc.	Section 3.3 (34a)	200,000	200,000	-
Hot Springs Health Program	Section 3.3 (34a)	200,000	200,000	-
NeighborHealth Center, Inc.	Section 3.3 (34a)	200,000	200,000	-
Steve Smith Family Foundation	Section 3.3 (82)	150,000	150,000	-
Backpack Ministry, Inc.	Section 3.3 (108)	100,000	100,000	-
Totals		\$ 341,527,617	\$ 329,259,482	\$ 12,268,135

^A All legislative references below are to SL 2020-4, as amended.

OSBM administered allocations to nonprofits by providing 50% of the allocated amount upon the recipient's acceptance of funds, with the remaining amount disbursed on a reimbursement basis. The \$12.3 million remaining to be disbursed was the result of nonprofit recipients yet to request reimbursement for their full allocation.



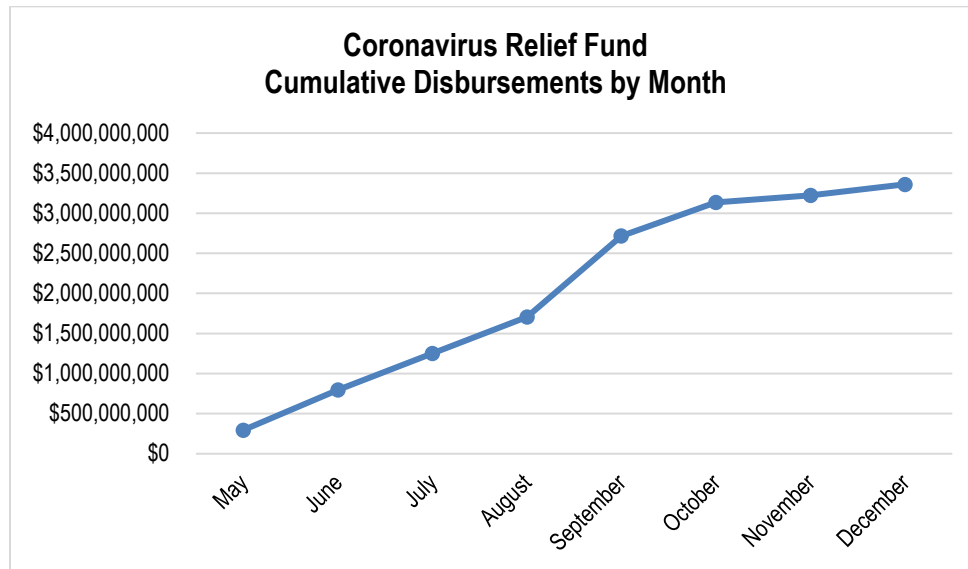
APPENDICES

Coronavirus Relief Fund - Summary Schedules

The following table illustrates the total amounts allocated, returned, reallocated, disbursed, and remaining to be disbursed from the Coronavirus Relief Fund by major recipient type as of December 31, 2020:

Recipient	Allocated	Returned	Reallocated	Net Allocation	Disbursed	Remaining
State Agencies	\$ 1,671,006,530	\$ (112,850,000)	\$ 53,228,960	\$ 1,611,385,490	\$ 1,600,704,480	\$ 10,681,010
Nonprofits	341,527,617	-	-	341,527,617	329,259,482	12,268,135
Hospitals	102,000,000	(5,814,652)	-	96,185,348	93,492,090	2,693,258
Local Governments	316,844,000	-	-	316,844,000	307,844,000	9,000,000
Offset State General Fund	645,400,000	-	-	645,400,000	508,112,441	137,287,559
Public Schools and Higher Education	523,613,029	(2,100,000)	-	521,513,029	521,513,029	-
Totals	\$ 3,600,391,176	\$ (120,764,652)	\$ 53,228,960	\$ 3,532,855,484	\$ 3,360,925,522	\$ 171,929,962

The following chart illustrates the cumulative disbursements by month from the Coronavirus Relief Fund for the period May 4, 2020 through December 31, 2020:



Schedule of Allocations and Disbursements to Local Governments

The 2020 COVID-19 Recovery Act⁴³ allocated \$300 million to local governments⁴⁴ ineligible to receive direct funding from the CARES Act. Counties ineligible to receive direct funding from the CARES Act received a base allocation of \$250,000, with the remaining amount allocated on a per capita basis based on U.S. Census Bureau Vintage 2019 population totals. The \$300 million was allocated and disbursed to North Carolina counties as shown in the following schedule:

County	Allocation	County	Allocation	County	Allocation	County	Allocation
Alamance	\$ 6,297,788.67	Cumberland	\$12,220,382.28	Johnston	\$ 7,718,854.35	Randolph	\$ 5,375,790.70
Alexander	1,587,828.27	Currituck	1,240,535.94	Jones	586,053.67	Richmond	1,849,421.38
Alleghany	647,348.95	Dare	1,570,417.27	Lee	2,454,168.13	Robeson	4,910,474.64
Anson	1,122,191.10	Davidson	6,229,999.95	Lenoir	2,246,163.79	Rockingham	3,497,079.78
Ashe	1,220,556.11	Davie	1,778,671.36	Lincoln	3,322,291.92	Rowan	5,319,454.70
Avery	876,403.47	Duplin	2,345,777.54	Macon	1,529,351.58	Rutherford	2,641,479.08
Beaufort	1,926,664.84	Durham	11,720,137.19	Madison	1,026,180.87	Sampson	2,516,676.47
Bertie	925,996.27	Edgecombe	2,086,432.16	Martin	1,050,620.48	Scotland	1,492,424.56
Bladen	1,417,464.51	Forsyth	13,889,626.04	Mcdowell	1,882,495.14	Stanly	2,490,809.72
Brunswick	5,345,571.20	Franklin	2,736,240.57	Mecklenburg*	-	Stokes	1,876,608.22
Buncombe	9,568,844.26	Gaston	8,260,807.35	Mitchell	783,889.70	Surry	2,811,093.60
Burke	3,478,348.69	Gates	662,512.21	Montgomery	1,219,485.76	Swain	759,164.66
Cabarrus	7,972,669.60	Graham	551,160.32	Moore	3,849,224.35	Transylvania	1,476,797.48
Caldwell	3,181,969.26	Granville	2,406,501.96	Nash	3,614,389.95	Tyrrell	393,283.95
Camden	637,715.81	Greene	1,001,705.57	New Hanover	8,615,592.11	Union	8,807,755.30
Carteret	2,728,676.78	Guilford*	-	Northampton	945,119.83	Vance	1,838,931.97
Caswell	1,056,471.72	Halifax	2,034,270.52	Onslow	7,312,086.34	Wake*	-
Catawba	5,942,504.41	Harnett	5,101,389.08	Orange	5,547,367.52	Warren	953,968.04
Chatham	2,906,961.12	Haywood	2,473,363.05	Pamlico	704,041.72	Washington	663,154.42
Cherokee	1,270,826.80	Henderson	4,439,235.98	Pasquotank	1,670,851.61	Watauga	2,254,298.44
Chowan	747,462.18	Hertford	1,094,754.51	Pender	2,499,872.00	Wayne	4,643,101.65
Clay	650,702.70	Hoke	2,220,653.83	Perquimans	730,336.61	Wilkes	2,690,822.13
Cleveland	3,744,579.98	Hyde	426,143.64	Person	1,658,935.07	Wilson	3,168,518.55
Columbus	2,230,429.67	Iredell	6,736,524.42	Pitt	6,698,562.73	Yadkin	1,593,893.57
Craven	3,894,143.30	Jackson	1,817,632.04	Polk	989,396.57	Yancey	894,670.75

* Counties that received direct funding from the CARES Act were not eligible to receive funds from this allocation.

⁴³ Session Law 2020-4 Section 3.3 (2), as amended.

⁴⁴ Counties that received allocations through Session Law 2020-4 Section 3.3 (2), as amended, were required to allocate at least 25% of the funds received to municipalities within that county if the transfer qualified as a necessary expenditure incurred due to the public health emergency and met other criteria of the Social Security Act Section 601(d). These subsequent allocations and disbursements to municipalities were not included in the audit scope or objective.

Schedules of Hospital Allocations

The 2020 COVID-19 Recovery Act allocated \$65 million to establish the COVID-19 Rural Hospitals Relief Fund.⁴⁵ The \$65 million was allocated to eligible hospitals as shown in the following schedule:

Recipient	Allocation	Recipient	Allocation	Recipient	Allocation
Alleghany Memorial Hospital	\$ 426,614	Erlanger Western Carolina Hospital	\$ 795,457	Sampson Regional Medical Center	\$ 641,951
Angel Medical Center	689,713	Firsthealth Montgomery Memorial Hospital	427,387	Scotland Memorial Hospital	1,131,966
Ashe Memorial Hospital	543,243	Firsthealth Moore Regional Hospital - Hoke	450,894	Sentara Albemarle Regional Medical Center	881,963
Atrium Health - Cleveland	1,426,745	Firsthealth Moore Regional Hospital - Richmond	670,801	Southeastern Health	2,025,036
Atrium Health - Kings Mountain	512,434	Good Hope Hospital	268,872	St. Lukes Hospital	621,186
Atrium Health Anson	358,023	Granville Medical Center	649,526	Swain Community Hospital	441,129
Atrium Health Stanly	745,649	Harris Regional Hospital	883,064	The Outer Banks Hospital	708,756
Betsy Johnson Hospital	705,520	Highlands Cashiers Hospital	437,538	Transylvania Regional Hospital	726,519
Blue Ridge Regional Hospital	629,381	Highsmith Rainey Memorial Hospital	512,510	UNC Lenoir Health Care	756,983
Brynn Marr Hospital	337,959	Hugh Chatham Memorial Hospital	853,433	UNC Rockingham Hospital	469,998
Caldwell Memorial Hospital	928,639	J. Arthur Doshier Memorial Hospital	629,598	Vidant Beaufort Hospital	741,566
Cape Fear Valley - Bladen County Hospital	570,520	Lifebrite Community Hospital Of Stokes County	517,702	Vidant Bertie Hospital	462,286
Cape Fear Valley Hoke Hospital	493,731	Maria Parham Medical Center	927,971	Vidant Chowan Hospital	664,551
Cape Fear Valley Medical Center	5,212,124	Martin General Hospital	411,285	Vidant Duplin Hospital	591,996
Carolinaeast Medical Center	2,742,195	Mission Hospital McDowell	688,633	Vidant Edgecombe Hospital	780,108
Carolinas Healthcare System Blue Ridge	1,514,452	Nash UNC Health Care	1,967,223	Vidant Medical Center	6,980,659
Carteret Health Care	1,163,152	Northern Regional Hospital	819,510	Vidant North Hospital	796,346
Central Carolina Hospital	774,253	Novant Health Rowan Medical Center	1,575,106	Vidant Roanoke Chowan Hospital	766,235
Central Harnett Hospital	381,860	Onslow Memorial Hospital	1,177,186	Washington County Hospital	424,066
Charles A. Cannon Memorial Hospital	494,868	Pam Specialty Hospital Of Rocky Mount	391,705	Wayne UNC Health Care	1,783,693
Chatham Hospital	567,664	Pender Memorial Hospital	519,450	Wilkes Medical Center	589,554
Cherokee Indian Hospital	711,113	Person Memorial Hospital	484,516	Wilson Medical Center	1,041,108
Columbus Regional Healthcare System	735,637	Randolph Health	928,689		
Cone Health Annie Penn Hospital	613,984	Rutherford Regional Medical Center	704,816		

The 2020 COVID-19 Recovery Act allocated \$15 million to establish the COVID-19 General Hospital Relief Fund.⁴⁶ The \$15 million was allocated to eligible hospitals as shown in the following schedule:

Recipient	Allocation	Recipient	Allocation	Recipient	Allocation
Adventhealth Hendersonville	\$ 172,601	Duke Regional Hospital	\$ 319,575	Novant Health Medical Park Hospital	\$ 59,881
Asheville Specialty Hospital	12,330	Fellowship Hall	11,635	Novant Health Mint Hill Medical Center	17,173
Atrium Health Cabarrus	471,438	Firsthealth Moore Regional Hospital	444,288	Novant Health Presbyterian Medical Center	883,770
Atrium Health Carolinas Rehabilitation	83,666	Frye Regional Medical Center	236,665	Novant Health Thomasville Medical Center	84,552
Atrium Health Lincoln	100,475	Haywood Regional Medical Center	127,065	Old Vineyard	26,962
Atrium Health Mercy	293,806	High Point Medical Center	240,071	Pardee UNC Health Care	226,883
Atrium Health Union	190,517	Holly Hills Hospital	36,525	SSH - Durham	14,793
Atrium Health University City	150,770	Iredell Memorial Hospital	162,415	SSH - Greensboro	12,669
Carepartners Rehab Hospital	84,653	Johnston UNC Health Care	190,083	Strategic Behavioral Health - Raleigh	19,408
Carolina Dunes Behavioral Health	15,363	Kindred Hospital Greensboro	31,789	The Moses H. Cone Memorial Hospital	836,899
Carolinas Continuicare Pineville	15,147	Lake Norman Regional Medical Center	87,115	Triangle Springs	6,908
Carolinas Medical Center	2,085,014	Lexington Memorial Hospital	85,917	UNC Rex Health Care	992,124
Caromont Regional Medical Center	400,626	Mission Hospital	1,127,231	Veritas Collaborative Hospitals	36,673
Catawba Valley Medical Center	233,493	New Hanover Regional Medical Center	926,161	Wake Med Cary Hospital	190,355
Cone Health Alamance Regional Medical Center	188,460	North Carolina Specialty Hospital	45,577	Wakemed Raleigh Campus	751,036
Continuicare Hospital At University	7,525	Novant Health Brunswick Medical Center	89,620	Watauga Medical Center	116,676
Davie Medical Center	53,783	Novant Health Forsyth Medical Center	1,215,318	Wilmington Treatment Center	16,863
Davis Regional Medical Center	53,026	Novant Health Huntersville Medical Center	143,078		
Duke Raleigh Hospital	398,723	Novant Health Matthews Medical Center	174,831		

⁴⁵ Session Law 2020-4 Section 3.3 (39).

⁴⁶ Session Law 2020-4 Section 3.3 (41).

Schedule of COVID-19 Recovery Act Legislation

The State of North Carolina appropriated approximately \$3.6 billion to the Coronavirus Relief Fund through the following series of legislation:

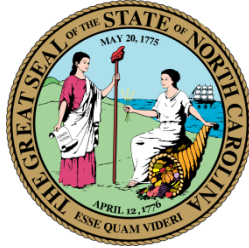
Laws Relevant to Coronavirus Relief Fund		Date Enacted	(in millions) Net Appropriations
Session Law 2020-4	2020 COVID-19 Recovery Act	5/4/2020	\$ 1,457.0
Session Law 2020-14	Fund VIPER Tower Hardware Upgrades	6/12/2020	19.8
Session Law 2020-27	Funds to DPI for ADM Growth	6/19/2020	22.0
Session Law 2020-32	State Operations/Increase Federal Funds Use	6/19/2020	300.0
Session Law 2020-53	Unemployment Insurance Program Integrity	6/30/2020	2.0
Session Law 2020-80	Coronavirus Relief Fund Additions and Revisions	7/1/2020	370.0
Session Law 2020-79	Water/Wastewater Public Enterprise Reform	7/1/2020	4.8
Session Law 2020-64	CC Funds/CIHS Funds/CR Funds and Offsets	7/1/2020	687.0
Session Law 2020-88	Medicaid Funding Act	7/2/2020	170.0
Session Law 2020-97	Additional and Revised Uses of the Coronavirus Relief	9/4/2020	567.4
		Total	\$ 3,600.0

Internal Control Components and Principles Significant to the Audit Objective

Our audit objective was to determine whether the Office of State Budget and Management (OSBM) accounted for, allocated, and disbursed amounts appropriated to the State of North Carolina's Coronavirus Relief Fund in accordance with 2020 COVID-19 Recovery Act legislation.

Internal control components and underlying principles that were significant to our audit objective are identified in the table below.

	Audit Objective
Control Environment	
1. The oversight body and management should demonstrate a commitment to integrity and ethical values.	
2. The oversight body should oversee the entity's internal control system.	
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.	
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.	
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.	
Risk Assessment	
6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.	
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.	
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.	
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.	
Control Activities	
10. Management should design control activities to achieve objectives and respond to risks.	X
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.	
12. Management should implement control activities through policies.	
Information and Communication	
13. Management should use quality information to achieve the entity's objectives.	X
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.	X
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.	X
Monitoring Activities	
16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.	X
17. Management should remediate identified internal control deficiencies on a timely basis.	



STATE AUDITOR'S RESPONSE

The Office of the State Auditor (OSA) is required to provide additional explanation when an agency's response could potentially cloud an issue, mislead the reader, or inappropriately minimize the importance of the auditor findings.

Generally Accepted Government Auditing Standards state,

When the audited entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement.

In its response, the Office of State Budget and Management (OSBM) agreed with the results of this audit. However, OSBM's response included language that could mislead the reader about what was included in the scope of this audit. In its response, OSBM stated:

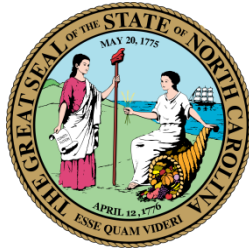
Disbursements amounted to \$3.3 billion as appropriated by the North Carolina General Assembly and **in accordance with the United States Department of Treasury guidance for the use of these federal funds.**

Our staff worked collaboratively with thousands of direct CRF recipients, sub-recipients, beneficiaries, vendors, and contractors with varying accounting systems **to achieve the goals as set forth by the North Carolina General Assembly.** As a result of Governor Cooper's and the North Carolina General Assembly's leadership, **North Carolina is recovering from this pandemic and OSBM and NCPRO have worked to help achieve this recovery.**
[Emphasis Added]

This audit did not evaluate whether (1) federal funds were used in accordance with United States Department of Treasury guidance, (2) federal funds accomplished their intended purpose, or (3) North Carolina is recovering from this pandemic.

Therefore, this audit does not provide any assurance as to whether OSBM's above statements are accurate.

Our report **clearly states** that the audit objective was to determine whether OSBM **accounted for, allocated, and disbursed** amounts appropriated to the State of North Carolina's Coronavirus Relief Fund in accordance with 2020 COVID-19 Recovery Act legislation.



RESPONSE FROM OFFICE OF STATE BUDGET AND MANAGEMENT



STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT
Employment First State for Individuals with Disabilities

ROY COOPER
GOVERNOR

CHARLES PERUSSE
STATE BUDGET DIRECTOR

March 24, 2021

The Honorable Beth A. Wood, State Auditor
Office of the State Auditor
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Dear State Auditor Wood,

Please find the Office of State Budget and Management (OSBM) and North Carolina Pandemic Recovery Office's (NCPRO) response to your findings in connection with the preliminary financial audit of Coronavirus Relief Funds (CRF).

OSBM and NCPRO agree with the preliminary financial audit that OSBM and NCPRO accounted for, allocated, and disbursed amounts appropriated to the State of North Carolina's Coronavirus Relief Fund in accordance with 2020 COVID-19 Recovery Act legislation. As of December 31, 2020, OSBM and NCPRO:

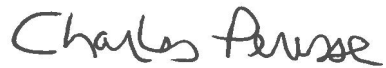
- Disbursed \$307.8 million to local governments.
- Disbursed \$1.6 billion to state agencies.
- Disbursed \$93.5 million to hospitals.
- Disbursed \$508.1 million to offset state general fund expenditures.
- Disbursed \$521.5 million to public schools and higher education.
- Disbursed \$329.3 million to nonprofits.

Disbursements amounted to \$3.3 billion as appropriated by the North Carolina General Assembly and in accordance with the United States Department of Treasury guidance for the use of these federal funds.

OSBM and NCPRO diligently worked to track \$3.6 billion to the penny without any overstatements or understatements. Our staff worked collaboratively with thousands of direct CRF recipients, sub-recipients, beneficiaries, vendors, and contractors with varying accounting systems to achieve the goals as set forth by the North Carolina General Assembly. As a result of Governor Cooper's and the North Carolina General Assembly's leadership, North Carolina is recovering from this pandemic and OSBM and NCPRO have worked to help achieve this recovery. For additional information on the success stories of

the CRF recipients and subrecipients in North Carolina, please visit the NCPRO website at <https://www.nc.gov/agencies/ncpro>.

Sincerely,



Charles Perusse, State Budget Director



Stephanie McGarrah, Executive Director,
North Carolina Pandemic Recovery Office

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