NC Office of State Budget and Management Pandemic Recovery Office

State Fiscal Recovery Fund Periodic Financial Audit

Raleigh, NC

Performance Audit Report

November 2025

State Auditor
Dave Boliek

A Constitutional Office of the State of North Carolina

North Carolina Office of the State Auditor
Dave Boliek, State Auditor

Auditor's Transmittal

The Honorable Josh Stein, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Destin Hall, Speaker of the House
Honorable Members of the North Carolina General Assembly
Kristin Walker, State Budget Director
Tommy Clark, North Carolina Pandemic Recovery Office Director

To all:

Billions of tax dollars flowed into North Carolina during and following the COVID-19 public health emergency. A significant sum of funds – $5.4 billion – were appropriated to the State Fiscal Recovery Fund for allocation, disbursement, and expense.

In keeping with good governance measures, the North Carolina General Assembly required the North Carolina Office of the State Auditor to conduct biennial financial audits of the State Fiscal Recovery Fund.

Our audit shows that, as of June 30, 2024, $2.5 billion (46%) of State Fiscal Recovery Funds have been disbursed. The $2.95 billion (54%) remaining to be disbursed represents the balance for which recipients have yet to request distribution.

The bulk of the remaining funds sit with state agencies. For instance, the North Carolina Department of Environmental Quality has not requested $1.7 billion (89%) of the $1.9 billion allocated.

The purpose of this audit was not to determine why certain funds have yet to be disbursed, rather to determine whether the North Carolina Office of State Budget and Management accounted for, allocated, and disbursed amounts appropriated to the State Fiscal Recovery Fund in accordance with State Fiscal Recovery Fund legislation. To that end, all matters were done in accordance with law.

Respectfully submitted,

Dave Boliek
State Auditor

Executive Summary

The Office of the State Auditor (OSA) has completed an audit in accordance with Chapter 147, Article 5A of the North Carolina General Statutes regarding the Office of State Budget and Management's (OSBM) accounting, allocation, and disbursement of State Fiscal Recovery Funds.

On May 24, 2021, the North Carolina General Assembly enacted Session Law (S.L.) 2021-25 which established the State Fiscal Recovery Fund.[1] The State Fiscal Recovery Fund was established to respond to the COVID-19 public health emergency and its negative economic impacts; to respond to workers performing essential work during the COVID-19 public health emergency; to provide for government services, including revenue reductions due to the COVID-19 public health emergency; and to make necessary investments in water, sewer, or broadband infrastructure.[2]

Through a series of legislation, the State Fiscal Recovery Fund provided a total of $5.4 billion in assistance to various entities across the state.

S.L. 2021-25 required OSBM to administer the State Fiscal Recovery Fund to carry out the provisions of the law,[3] and to ensure the proper reporting and accounting of the State Fiscal Recovery Fund.[4]

S.L. 2023-134 Section 4.7.(h) requires OSA to conduct biennial financial audits of the State Fiscal Recovery Fund.

This report details the results of OSA's second financial audit of the State Fiscal Recovery Fund. It includes OSBM's accounting, allocation, and disbursement of State Fiscal Recovery Funds during the period July 1, 2022, through June 30, 2024.

OSA's December 2022 *State Fiscal Recovery Fund Preliminary Financial Audit* found that OSBM allocated a total of $5.4 billion of State Fiscal Recovery Funds as of June 30, 2022, and disbursed $1.3 billion to recipients.[5]

Objective:

To determine whether OSBM accounted for, allocated, and disbursed amounts appropriated to the State Fiscal Recovery Fund in accordance with State Fiscal Recovery Fund legislation.[6]

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1 S.L. 2021-25, Section 2.2.
2 See Appendix C for a summary of the intended purpose and uses of State Fiscal Recovery Funds.
3 S.L. 2021-25, Section 2.2.
4 S.L. 2021-180, Section 4.9.(d), (e), (h), (i).
5 There were adjustments in the categorical presentation of certain disbursements made as of June 30, 2022, for the purposes of this report that do not change the overall disbursement amount or significantly impact findings or conclusions.
6 See Appendix B for details regarding legislation affecting the State Fiscal Recovery Fund.

Executive Summary (Concluded)

Finding:

OSBM **accounted for, allocated, and disbursed** amounts appropriated to the State of North Carolina's State Fiscal Recovery Fund in accordance with State Fiscal Recovery Fund legislation.

During the period July 1, 2022, through June 30, 2024, OSBM disbursed **$1.2 billion** of State Fiscal Recovery Funds. Specifically, OSBM disbursed:

- $849 million to state agencies.
- $263 million to public schools and higher education.
- $35 million for local government capacity assistance.
- $10 million to state Indian tribes and associations.
- $15.6 million for continuity of operations.

As of June 30, 2024, OSBM allocated a total of $5.4 billion (100%) of State Fiscal Recovery Funds and disbursed **$2.5 billion (46%)** to recipients. See Appendix A.

The $2.95 billion (54%) remaining to be disbursed represents the balance for which recipients have yet to request distribution. State Fiscal Recovery Funds must have been obligated by December 31, 2024, and must be expended by December 31, 2026.

According to OSBM management, all (100%) State Fiscal Recovery funds were obligated by December 31, 2024, in accordance with U.S. Department of the Treasury (U.S. Treasury) regulations. However, **any funds not expended by December 31, 2026, will be returned to the U.S. Treasury**, unless the United States Congress provides for an extension.

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Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.

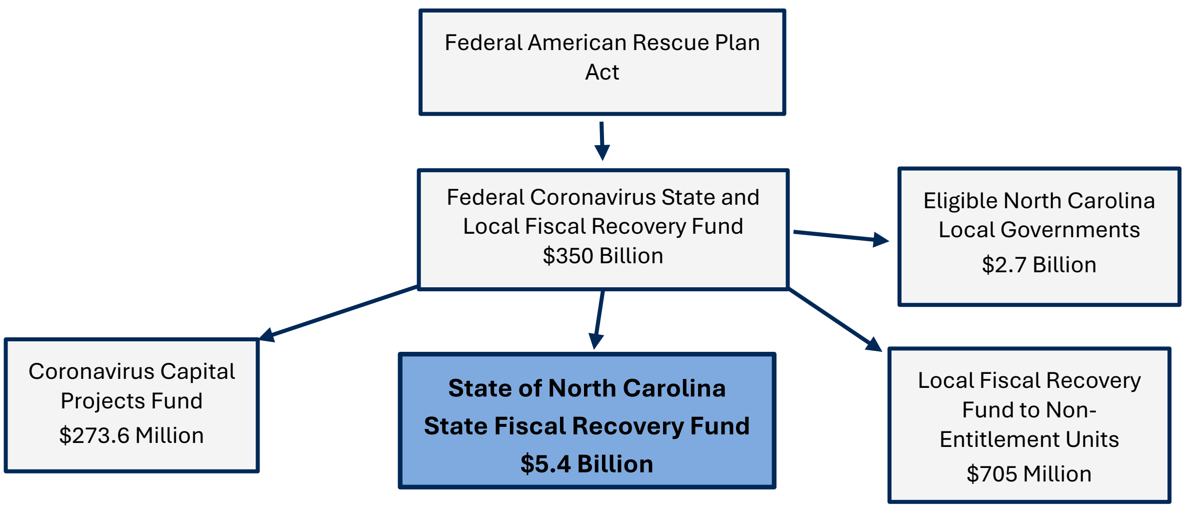
Background

On March 11, 2021, the President of the United States signed into law the American Rescue Plan Act (ARPA).[7] ARPA established the federal Coronavirus State and Local Fiscal Recovery Fund and appropriated $350 billion to this fund for distribution to state, local, territorial, and tribal governments.[8]

The State of North Carolina received a total of $5.4 billion in financial assistance for the State Fiscal Recovery Fund and $273.6 million for the Coronavirus Capital Projects Fund through the federal Coronavirus State and Local Recovery Fund.

The State of North Carolina received a total of $5.4 billion in financial assistance for the State Fiscal Recovery Fund.

In addition, eligible North Carolina local governments received a total of $3.4 billion in ARPA assistance. Of this, the state's 100 counties and largest 26 municipalities received a total of $2.7 billion directly from the U.S. Department of the Treasury while the state's 525 Non-Entitlement Units[9] were appropriated $705 million to be provided through the state's Local Fiscal Recovery Fund.[10]



On May 24, 2021, the North Carolina General Assembly enacted Session Law 2021-25 which established the State Fiscal Recovery Fund.[11] The State Fiscal Recovery Fund is a special fund administered by the North Carolina Office of Budget and Management (OSBM), to carry out the provisions of the law and subsequent acts necessitated as a result of the COVID-19 public health emergency. The funds are to be used to:

1. Respond to the COVID-19 public health emergency and its negative economic impacts.

2. Respond to workers performing essential work during the COVID-19 public health emergency.

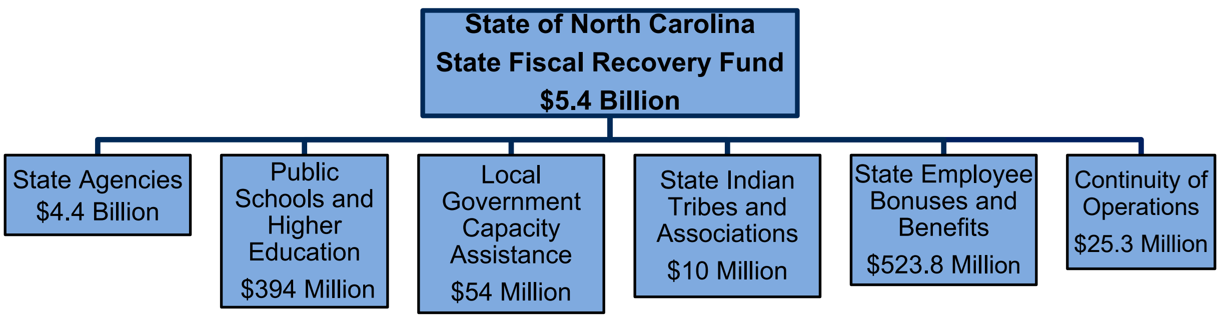
[7] U.S. Public Law 117-2.
[8] https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds.
[9] Towns and cities of 50,000 residents or fewer.
[10] https://files.nc.gov/ncgov/documents/files/ncpro/Funding-totals-SLFRF_final.pdf.
[11] S.L. 2021-25, Section 2.2.

3. Provide for government services, including revenue reductions due to the COVID-19 public health emergency.

4. Make necessary investments in water, sewer, or broadband infrastructure.[12]

North Carolina's State Fiscal Recovery Fund does not include amounts received directly from the U.S. Department of the Treasury by eligible North Carolina local governments, amounts received through the state's Local Fiscal Recovery Fund by the state's Non-Entitlement Units,[13] or the State's Coronavirus Capital Projects Fund. Accordingly, these funds are **not included** within the scope of this audit.

Through a series of legislation,[14] the state appropriated approximately $5.4 billion to various entities across the state through the State Fiscal Recovery Fund as shown in the following illustration:



OSBM disburses State Fiscal Recovery Funds to recipients by request based on timelines agreed to with each recipient.

State Fiscal Recovery Fund legislation required OSBM to administer the State Fiscal Recovery Fund,[15] and to ensure the proper reporting and accounting of the State Fiscal Recovery Fund.[16] Specifically, OSBM is required to:

- Allocate and disburse State Fiscal Recovery Funds as directed by the North Carolina General Assembly.

- Ensure adherence with the compliance requirements established by the U.S. Department of the Treasury.

- Account for the State Fiscal Recovery Fund in accordance with generally accepted accounting principles and the requirements established by the North Carolina Office of the State Controller.[17]

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[12] S.L. 2021-25, Section 2.2.
[13] Towns and cities of 50,000 residents or fewer.
[14] See Appendix A for details regarding legislation affecting the State Fiscal Recovery Fund.
[15] S.L. 2021-25, section 2.2.
[16] S.L. 2021-180, Section 4.9.(d), (e), (h), (i).
[17] North Carolina Office of State Budget and Management, Memorandum Budgeting American Rescue Plan Act State Fiscal Recovery Funds.

- Adhere to the reporting requirements established by federal and state law.

The 2020 COVID-19 Recovery Act created the "temporary North Carolina Pandemic Recovery Office (NCPRO) to oversee and coordinate funds made available under COVID-19 recovery legislation." 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.[18]

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

Session Law 2023-134, Section 4.7.(h) requires the Office of the State Auditor to conduct biennial financial audits of the State Fiscal Recovery Fund.

This report details the results of OSA's second financial audit of the State Fiscal Recovery Fund. It includes OSBM's accounting, allocation, and disbursement of State Fiscal Recovery Funds during the period July 1, 2022, through June 30, 2024.

OSA's December 2022 *State Fiscal Recovery Fund Preliminary Financial Audit* found that OSBM allocated a total of $5.4 billion of State Fiscal Recovery Funds as of June 30, 2022, and disbursed $1.3 billion to recipients.[19]

Key terms discussed in this report include:

ARPA – The federal American Rescue Plan Act (U.S. Public Law 117-2) that established the federal Coronavirus State and Local Fiscal Recovery Fund.

State Fiscal Recovery Fund legislation[20] – The series of legislation enacted by the State of North Carolina to establish the State Fiscal Recovery Fund and provide assistance to various entities across the state in response to the COVID-19 public health emergency and its negative economic impacts.

State Fiscal Recovery Fund – The fund established by the State of North Carolina to respond to the COVID-19 public health emergency and its negative economic impacts; to respond to workers performing essential work during the COVID-19 public health emergency; to provide for government services, including revenue reductions due to the COVID-19 public health emergency; and to make necessary investments in water, sewer, or broadband infrastructure.[21]

[18] S.L. 2020-4, Section 4.3.
[19] There were adjustments in the categorical presentation of certain disbursements made as of June 30, 2022, for the purposes of this report that do not change the overall disbursement amount or significantly impact findings or conclusions.
[20] See Appendix B for details regarding legislation affecting the State Fiscal Recovery Fund.
[21] See Appendix C for summary of the intended purpose and uses of the State Fiscal Recovery Fund.

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

Allocated funds – Funds that are specifically designated for certain programs, services, or projects to ensure funds are used within limits.

Obligated funds – Funds that are encumbered through a signed purchase order or contract for the purchase of goods or services. There is a legal commitment to disburse these funds either immediately or at a later date as a result of specific actions taken.

Disbursements or Disbursed Funds – Funds that have released and transferred by NCPRO to a recipient entity for a project, services, or goods as requested by the recipient entity and after any necessary requirements have been met (such as providing any required documentation).

Expenditures or Expended funds – Disbursed funds spent by recipient entities on authorized projects, services, or goods.

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. Session Law 2021-25 established the State Fiscal Recovery Fund that is to be maintained as a special fund and 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 legislation.

Findings

1. Allocations And Disbursements to State Agencies

The Office of State Budget and Management (OSBM) **allocated** $4.4 billion of State Fiscal Recovery Funds to state agencies in accordance with State Fiscal Recovery Fund legislation. Of this amount, $849 million (19%) was disbursed during the period July 1, 2022, through June 30, 2024. As of June 30, 2024, a total of $1.6 billion (36%) has been **disbursed**.

State Fiscal Recovery Fund legislation required OSBM to allocate $4.4 billion to state agencies as shown in the table below. State Fiscal Recovery Fund legislation required that funds only be disbursed from the State Fiscal Recovery Fund to state agencies upon justification from the agency and only as needed to implement the provisions of state law.[22]

The following table illustrates the total amounts allocated, disbursed, and remaining to be disbursed to state agencies as of June 30, 2024.

Table 1 – Allocations and Disbursements to State Agencies[23]

Recipient	Allocated (As of June 30, 2022)	Total Disbursed (As of June 30, 2022)	Disbursed (July 1, 2022 - June 30, 2024)	Total Disbursed (as of June 30, 2024)	Recaptured/ Reallocated (July 1, 2022 - June 30, 2024)	Allocated (As of June 30, 2024)	Remaining (As of June 30, 2024)
State Agencies							
Administrative Office of the Courts	$ 35,389,440	$ 4,132,890	$ 23,133,311	$ 27,266,201	$ -	35,389,440	8,123,239
Department of Administration	20,750,000	$ 18,750,000	$ 2,000,000	20,750,000	-	20,750,000	-
Department of Agriculture	128,800,000	$ 35,925,197	$ 55,197,500	91,122,697	-	128,800,000	37,677,303
Department of Commerce[1]	187,710,000	$ -	$ 72,461,065	72,461,065	(61,500,000)	126,210,000	53,748,935
Department of Environmental Quality[2]	1,690,000,000	$ 2,006,020	$ 209,290,658	211,296,679	248,275,000	1,938,275,000	1,726,978,321
Department of Health and Human Services	502,785,232	$ 223,777,500	$ 77,709,036	301,486,536	-	502,785,232	201,298,696
Department of Information Technology[3]	739,939,144	$ 5,676,094	$ 41,709,849	47,385,943	(5,852,253)	734,086,891	686,700,948
Department of Insurance	8,000,000	$ 8,000,000	$ -	8,000,000	-	8,000,000	-
Department of Natural and Cultural Resources	96,200,000	$ 10,075,497	$ 41,852,408	51,927,905	-	96,200,000	44,272,095
Department of Public Safety / Department of Adult Corrections	108,925,000	$ 24,450,000	$ 62,405,452	86,855,452	-	108,925,000	22,069,548
Department of Revenue	502,538,000	$ 304,165,763	$ 195,082,857	499,248,620	-	502,538,000	3,289,380
Department of State Treasurer	101,000,000	$ 101,000,000	$ -	101,000,000	-	101,000,000	-
Department of Transportation	3,000,000	$ -	$ 1,800,000	1,800,000	-	3,000,000	1,200,000
Housing Finance Agency[4]	170,000,000	$ -	$ -	-	(170,000,000)	-	-
North Carolina General Assembly	21,800,000	$ 1,994,145	$ 19,805,855	21,800,000	-	21,800,000	-
Office of State Budget and Management[5]	118,928,476	$ 11,720,664	$ 46,416,369	58,137,033	(13,553,476)	105,375,000	47,237,967
Office of the State Auditor[6]	3,500,000	$ -	$ -	-	(3,500,000)	-	-
Total State Agencies	$ 4,439,265,292	$ 751,673,770	$ 848,864,361	$ 1,600,538,132	$ (6,130,729)	$ 4,433,134,563	$ 2,832,596,431

Footnotes:
[1] Reallocation of funds under S.L. 2022-74 totaling $61,500,000.
[2] Reallocation of funds due to a combination of the 2023 Conference Budget and S.L. 2022-74 totaling $248,275,000.
[3] Reallocation of funds under S.L. 2023-134 totaling $5,852,253.
[4] Reallocation of funds under S.L. 2022-74 totaling $170,000,000.
[5] Total allocations to OSBM changed due to legislative recaptures and reallocations within the State Fiscal Recovery Funds and changes in presentation of certain funds for reporting purposes. Specifically, $1.2M was recaptured related to public safety death benefits (S.L. 2022-6), $25.3M COOP funds (originally included as appropriated to OSBM) are now reported separately (See Table 6). Overall allocation decreased by $13.6M.
[6] Reallocation of funds under S.L. 2023-134 totaling $3,500,000.

The $2.8 billion remaining to be disbursed represents the balance for which recipients have yet to request distribution. For example:

- The Department of Environmental Quality has not requested $1.7 billion (89%) of the $1.9 billion allocated, with $528 million in remaining funds for the State Drinking

[22] S.L. 2021-180, Section 4.9.(e).
[23] Total State Fiscal Recovery Fund allocations and certain allocations to specific recipients changed during the period July 1, 2022, through June 30, 2024, due to legislative recaptures and reallocations within the State Fiscal Recovery Fund and changes in reporting presentation. See specific footnotes within Table 1 for additional information.

Water/Wastewater Reserve Infrastructure Grants and $326 million in remaining funds for the Viable Utility Reserve.

- The Department of Information Technology has not requested $687 million (94%) of the $734 million allocated, with $326 million in remaining funds for the NC GREAT Grant – Federal Broadband Funds and $126 million in remaining funds for Completing Access to Broadband.

- The Department of Health and Human Services has not requested $201 million (40%) of the $503 million allocated, with $120 million in remaining funds for the Lead & Asbestos – Remediation of Lead Paint and Asbestos in Schools & Childcare Facilities.

- The Department of Commerce has not requested $54 million (43%) of the $126 million allocated, with $39 million of remaining funds related to Rural Downtown Transformation Grants.

2. Allocations And Disbursements to Public Schools and Higher Education

OSBM **allocated** $394 million of State Fiscal Recovery Funds to public schools and institutions of higher education in accordance with State Fiscal Recovery Fund legislation. Of this amount, $263 million (67%) was **disbursed** during the period July 1, 2022, through June 30, 2024. As of June 30, 2024, $301 million (76%) has been **disbursed**.

State Fiscal Recovery Fund legislation required that OSBM allocate $394 million to public schools and institutions of higher education as shown in the table below. State Fiscal Recovery Fund legislation required that funds only be disbursed from the State Fiscal Recovery Fund to public schools and higher education agencies upon justification from the applicable agency and only as needed to implement the provisions of state law.[24]

The following table illustrates the total amounts allocated, disbursed, and remaining to be disbursed to public schools and institutions of higher education as of June 30, 2024.

Table 2 – Allocations and Disbursements to Public Schools and Higher Education

Recipient	Allocated	Disbursed (As of June 30, 2022)	Disbursed (July 1, 2022 - June 30, 2024)	Total Disbursed (as of June 30, 2024)	Remaining
Public Schools					
Department of Public Instruction	$ 18,648,000	$ -	$ 3,704,021	$ 3,704,021	$ 14,943,979
Total Public Schools	$ 18,648,000	$ -	$ 3,704,021	$ 3,704,021	$ 14,943,979
Institutions of Higher Education					
North Carolina Community College System	$ 114,304,422	$ 16,479,238	$ 89,674,101	$ 106,153,338	$ 8,151,084
Private Colleges and Universities	$ 51,000,000	$ 14,781,832 [1]	$ 36,218,168	$ 51,000,000	$ -
University of North Carolina System	$ 209,584,983	$ 6,076,113	$ 133,704,380	$ 139,780,492	$ 69,804,491
Total Institutions of Higher Education	$ 374,889,405	$ 37,337,182	$ 259,596,648	$ 296,933,831	$ 77,955,574
Total Public Schools and Higher Education	$ 393,537,405	$ 37,337,182	$ 263,300,669	$ 300,637,852	$ 92,899,553

Footnotes:

[1] The December 2022 SFRF Preliminary Financial Audit presented a $716,439 disbursement for Local Government Capacity Assistance Audit Software to Private Colleges and Universities, however, it is now presented in Local Government Capacity Assistance (See Table 3).

[24] S.L. 2021-180, Section 4.9.(e).

The $93 million remaining to be disbursed represents the balance for which recipients have yet to request distribution. For example:

- The University of North Carolina System has not requested nearly $70 million (33%) of the $210 million in funding that was allocated, with $19 million of remaining funds related to the Innovative Highly Treated Wastewater Pilot and $17 million of remaining funds related to the NC Policy Collaboratory.

- The North Carolina Community College System has not requested $8 million (7%) of the $114 million in funding that was allocated, with $7 million of remaining funds related to the Apprenticeship Program Expansion.

- The Department of Public Instruction has not requested nearly $15 million (80%) of the $19 million in funding that was allocated, with over $4 million in remaining funds related to the Smart School Bus Pilot.

3. Allocations And Disbursements to Local Government Capacity Assistance

OSBM **allocated** $53.5 million of State Fiscal Recovery Funds to local government capacity assistance in accordance with State Fiscal Recovery Fund legislation. Of this amount, $36 million (67%) was **disbursed** as of June 30, 2024.

The State Fiscal Recovery Fund allocated these funds to the North Carolina League of Municipalities, North Carolina Association of County Commissioners, and North Carolina Association of Regional Councils of Government to provide guidance and technical assistance to units of local government in administration of funds from the Local Fiscal Recovery Fund. Funds were also allocated specifically to the Towns of Apex and Huntersville for the same purpose.

The following table illustrates the total amounts allocated, disbursed, and remaining to be disbursed for local government capacity assistance as of June 30, 2024.

Table 3 – Allocations and Disbursements to Local Government Capacity Assistance

Recipient	Allocated	Disbursed (As of June 30, 2022)	Disbursed (July 1, 2022 - June 30, 2024)	Total Disbursed (as of June 30, 2024)	Remaining
Town of Apex	$ 11,500,000	$ -	$ 11,500,000	$ 11,500,000	$ -
Town of Huntersville	$ 12,000,000	$ -	$ 12,000,000	$ 12,000,000	$ -
Council of Governments	$ 10,000,000	$ -	$ 5,014,996	$ 5,014,996	$ 4,985,004
North Carolina Association of County Commissioners	$ 10,000,000	$ 716,439	$ 4,237,350	$ 4,953,789	$ 5,046,211
North Carolina League of Municipalities	$ 10,000,000	$ -	$ 2,525,034	$ 2,525,034	$ 7,474,966
	$ 53,500,000	$ 716,439	$ 35,277,380	$ 35,993,819	$17,506,181

The $17.5 million remaining to be disbursed represents the balance for which recipients have yet to request distribution.

4. Allocations And Disbursements to State Indian Tribes and Associations

OSBM **allocated** $10 million of State Fiscal Recovery Funds to state Indian tribes and associations in accordance with State Fiscal Recovery Fund legislation. Of this amount, $10 million (100%) was **disbursed** as of June 30, 2024.

State Fiscal Recovery Fund legislation required OSBM to **allocate** $9 million to provide grants to the American Indian tribes named in Chapter 71A of the North Carolina General Statutes.[25] State Fiscal Recovery Fund legislation required a base allocation of $715,285 to each tribe, with the remaining amount allocated to tribes on a per-capita basis using tribal enrollment totals.[26] An additional $1 million was required to be allocated equally to four Native American associations.[27]

The following table illustrates the total amounts allocated, disbursed, and remaining to be disbursed to state Indian tribes and associations as of June 30, 2024.

Table 4 – Allocations and Disbursements to State Indian Tribes and Associations

Recipient	Allocated	Disbursed (As of June 30, 2022)	Disbursed (July 1, 2022 - June 30, 2024)	Total Disbursed (as of June 30, 2024)	Remaining
Coharie	$ 889,117	$ -	$ 889,117	$ 889,117	$ -
Haliwa-Saponi	$ 932,041	$ -	$ 932,041	$ 932,041	$ -
Lumbee	$ 4,066,939	$ -	$ 4,066,939	$ 4,066,939	$ -
Meherrin	$ 740,057	$ -	$ 740,057	$ 740,057	$ -
Occaneechi Band of the Saponi Nation	$ 822,061	$ -	$ 822,061	$ 822,061	$ -
Sappony	$ 755,967	$ -	$ 755,967	$ 755,967	$ -
Waccamaw-Siouan	$ 800,813	$ -	$ 800,813	$ 800,813	$ -
Native American Associations	$ 1,000,000	$ -	$ 1,000,000	$ 1,000,000	$ -
	$ 10,006,995	$ -	$ 10,006,995	$ 10,006,995	$ -

5. Allocations And Disbursements to Employee Bonuses and Benefits

OSBM **allocated** $545 million of State Fiscal Recovery Funds for employee bonuses and benefits in accordance with State Fiscal Recovery Fund legislation.

State Fiscal Recovery Fund legislation initially required OSBM to allocate $545 million to provide bonuses to full-time state and local education employees who worked to continue government operations and services during the pandemic.[28] Subsequently, Session Law 2023-134, Section 4.8B recaptured $21 million of funds remaining after these bonuses are awarded.

As of June 30, 2024, $524 million of State Fiscal Recovery Funds were **allocated** for employee bonuses and benefits. Of this amount, there were no funds **disbursed** during the period

[25] S.L 2021-189, Section 6.2.
[26] State Indian tribe enrollment is based on resolutions from each tribal government.
[27] S.L. 2021-189, Section 6.2. included the following associations: 1) Cumberland County Association for Indian People, 2) Guildford Native American Association, 3) Metrolina Native American Association, and 4) Triangle Native American Society.
[28] S.L. 2021-180, Section 39.2.(a) – (j).

July 1, 2022, through June 30, 2024. As of June 30, 2024, $524 million (100%) has been **disbursed**.

The following table illustrates the total amount allocated, disbursed, and remaining to be disbursed for employee bonuses and benefits as of June 30, 2024. See Appendix D for a detailed list of entities that were disbursed State Fiscal Recovery Funds for employee bonuses and benefits.

Table 5 – Allocations and Disbursements to Employee Bonuses and Benefits

Recipient	Allocated (As of June 30, 2022)	Total Disbursed (As of June 30, 2022)	Disbursed (July 1, 2022 - June 30, 2024)	Total Disbursed (as of June 30, 2024)	Allocated (As of June 30, 2024)[1]	Remaining
Employee Bonuses and Benefi	$ 545,000,000	$ 523,802,253	$ -	$ 523,802,253	$ 523,802,253	$ -

Footnotes:
[1] Recapture of funds under SL 2023-134 totaling $21,197,747.

6. Allocations And Disbursements for Continuity of Operations

OSBM **allocated** $24.5 million (of the appropriated $25.3 million) for State Fiscal Recovery Funds for Continuity of Operations (COOP) in accordance with State Fiscal Recovery Fund legislation to provide funds for the continuity of operations across state government impacted by the COVID-19 pandemic. Of this amount, $16.5 million (67%) was **disbursed** as of June 30, 2024.[29]

The following table illustrates the total amount allocated, disbursed, and remaining to be disbursed for Continuity of Operations as of June 30, 2024.

Table 6 – Allocations and Disbursements for Continuity of Operations[30]

Recipient	Allocated	Disbursed (As of June 30, 2022)	Disbursed (July 1, 2022 - June 30, 2024)	Total Disbursed (as of June 30, 2024)	Remaining
COOP - Department of Administration	$ 2,250,000	$ -	$ 2,000,000	$ 2,000,000	$ 250,000
COOP - Department of Commerce	$ 285,000	$ -	$ 285,000	$ 285,000	$ -
COOP - Department of Environmental Quality	$ 175,000	$ -	$ -	$ -	$ 175,000
COOP - Department of Health and Human Services	$ 900,000	$ -	$ -	$ -	$ 900,000
COOP - Department of Natural and Cultural Resources	$ 4,351,323	$ 275,000	$ 1,526,323	$ 1,801,323	$ 2,550,000
COOP - Department of Revenue	$ 1,100,000	$ -	$ -	$ -	$ 1,100,000
COOP - NC Secretary of State	$ 950,000	$ -	$ 650,000	$ 650,000	$ 300,000
COOP - North Carolina Independent Colleges and Univers	$ 1,168,275	$ 100,000	$ 125,000	$ 225,000	$ 943,275
COOP - North Carolina Industrial Commission	$ 500,000	$ 500,000	$ -	$ 500,000	$ -
COOP - Office of State Budget and Management	$ 10,474,094	$ -	$ 8,614,094	$ 8,614,094	$ 1,860,000
COOP - Office of State Human Resources	$ 562,500	$ -	$ 562,500	$ 562,500	$ -
COOP - State Board of Elections	$ 1,816,000	$ -	$ 1,816,000	$ 1,816,000	$ -
	$ 24,532,192	$ 875,000	$ 15,578,917	$ 16,453,917	$ 8,078,275

The $8 million remaining to be disbursed represents the balance for which recipients have yet to request distribution.

[29] COOP funds were included and presented as allocations to OSBM in OSA's December 2022 *State Fiscal Recovery Fund Preliminary Financial Audit*. This audit presents COOP funds separately as OSBM did not directly receive COOP funds itself and the funds were allocated and disbursed to other recipients as presented in Table 6.

[30] Ibid.

Objectives, 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 Fiscal Recovery Fund in accordance with State Fiscal Recovery Fund legislation.[31]

The audit scope included OSBM's accounting, allocation, and disbursement transactions related to the State Fiscal Recovery Fund for the period July 1, 2022, through June 30, 2024.

The audit scope **did not** include funds received by eligible North Carolina local governments directly from the U.S. Department of the Treasury, funds received through the state's Local Fiscal Recovery Fund by the state's Non-Entitlement Units,[32] or funds received through the state's Coronavirus Capital Projects Fund. 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 ARPA or state law.
- Whether State Fiscal Recovery Funds were spent in accordance with ARPA.
- Whether programs that received State Fiscal Recovery Funds accomplished their intended purpose.
- Disbursement of State Fiscal Recovery Funds to subrecipients, beneficiaries, municipalities, or other secondary entities that did not receive funds directly from OSBM.

Session Law 2023-134, Section 4.7.(h) required the Office of the State Auditor to conduct biennial financial audits and a final performance audit of the State Fiscal Recovery Fund.

To accomplish the audit objective, auditors:

- Reviewed relevant laws and regulations.
- Interviewed OSBM and North Carolina Pandemic Recovery Office (NCPRO) personnel.
- Reperformed 60 randomly selected (out of 596 total) allocations[33] to state agencies, institutions of higher education, local & tribal governments, using the criteria established in state law to ensure amounts were allocated in accordance with the law. This included examining recipient[34] fund requests, memorandums, journal entries, and other documentation supporting the 60 disbursements from the State Fiscal Recovery Fund (through June 30, 2024) to ensure the funds were disbursed in accordance State Fiscal Recovery Fund legislation. Auditors tested 60 disbursments:
    - 35 for State Agencies.
    - 17 for Public Schools.
    - 4 for Local Government Capacity Assistance.

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31 See Appendix A for details regarding legislation affecting the State Fiscal Recovery Fund.
32 Towns and cities of 50,000 residents or fewer.
33 Auditors used standardized sampling methods for a large population.
34 Included state agencies, institutions of higher education, local government, and state Indian tribes and associations.

  - 4 for Continuity of Operations.

- 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 Controller[35] to ensure the State Fiscal Recovery Fund was **accounted for, allocated, and disbursed** in accordance with ARPA and state law.

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.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal controls significant to our audit objectives. 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.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[35] Office of State Budget Management, Memorandum Budgeting American Rescue Plan Act State Fiscal Recovery Funds.

APPENDICES

Appendix A

As of June 30, 2024, OSBM allocated a total of $5.4 billion (100%) of State Fiscal Recovery Funds and disbursed **$2.5 billion (46%)** to recipients.

The $2.95 billion (54%) remaining to be disbursed represents the balance for which recipients have yet to request distribution. State Fiscal Recovery Funds must have been obligated by December 31, 2024, and expended by December 31, 2026.

According to OSBM management, all (100%) State Fiscal Recovery funds were obligated by December 31, 2024, in accordance with U.S. Department of the Treasury (U.S. Treasury) regulations. However, **any funds not expended by December 31, 2026, will be returned to the U.S. Treasury**, unless the United States Congress provides for an extension.

Overall Allocations and Disbursements

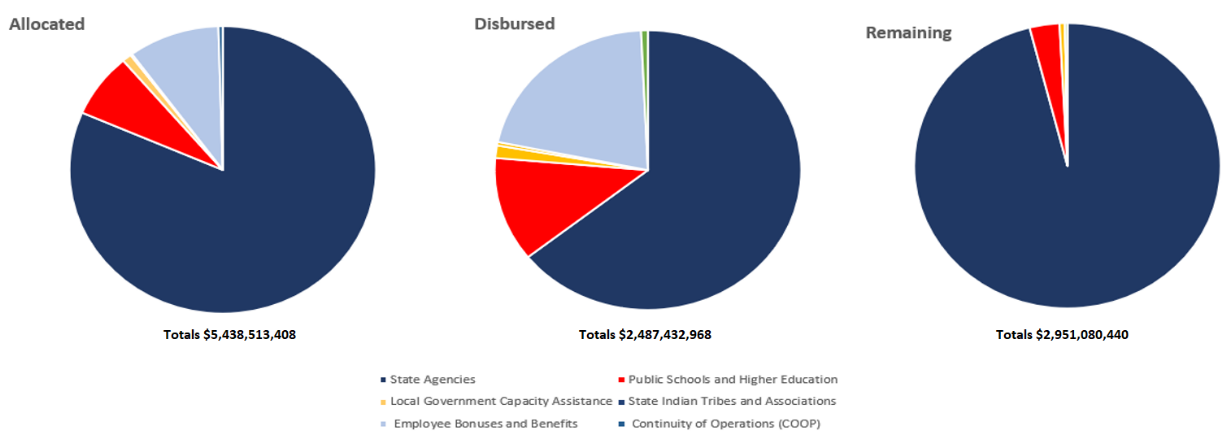
	Allocated (As of June 30, 2022)[3]	Total Disbursed (As of June 30, 2022)	Disbursed (July 1, 2022 - June 30, 2024)	Total Disbursed (as of June 30, 2024)	Allocated (As of June 30, 2024)[1]	Remaining
State Agencies	$ 4,439,265,292	$ 751,673,770	$ 848,864,362	$ 1,600,538,132	$ 4,433,134,563	$ 2,832,596,431
Public Schools and Higher Education	$ 393,537,405	$ 37,337,182	$ 263,300,669	$ 300,637,852	$ 393,537,405	$ 92,899,553
Local Government Capacity Assistance	$ 53,500,000	$ 716,439	$ 35,277,380	$ 35,993,819	$ 53,500,000	$ 17,506,181
State Indian Tribes and Associations	$ 10,006,995	$ -	$ 10,006,995	$ 10,006,995	$ 10,006,995	$ -
Employee Bonuses and Benefits	$ 545,000,000	$ 523,802,253	$ -	$ 523,802,253	$ 523,802,253	$ -
Continuity of Operations (COOP)	$ 0 [2]	$ 875,000	$ 15,578,917	$ 16,453,917	$ 24,532,192	$ 8,078,275
Totals	$ 5,441,309,692	$ 1,314,404,644	$ 1,173,028,324	$ 2,487,432,968	$ 5,438,513,408	$ 2,951,080,440

Footnotes:

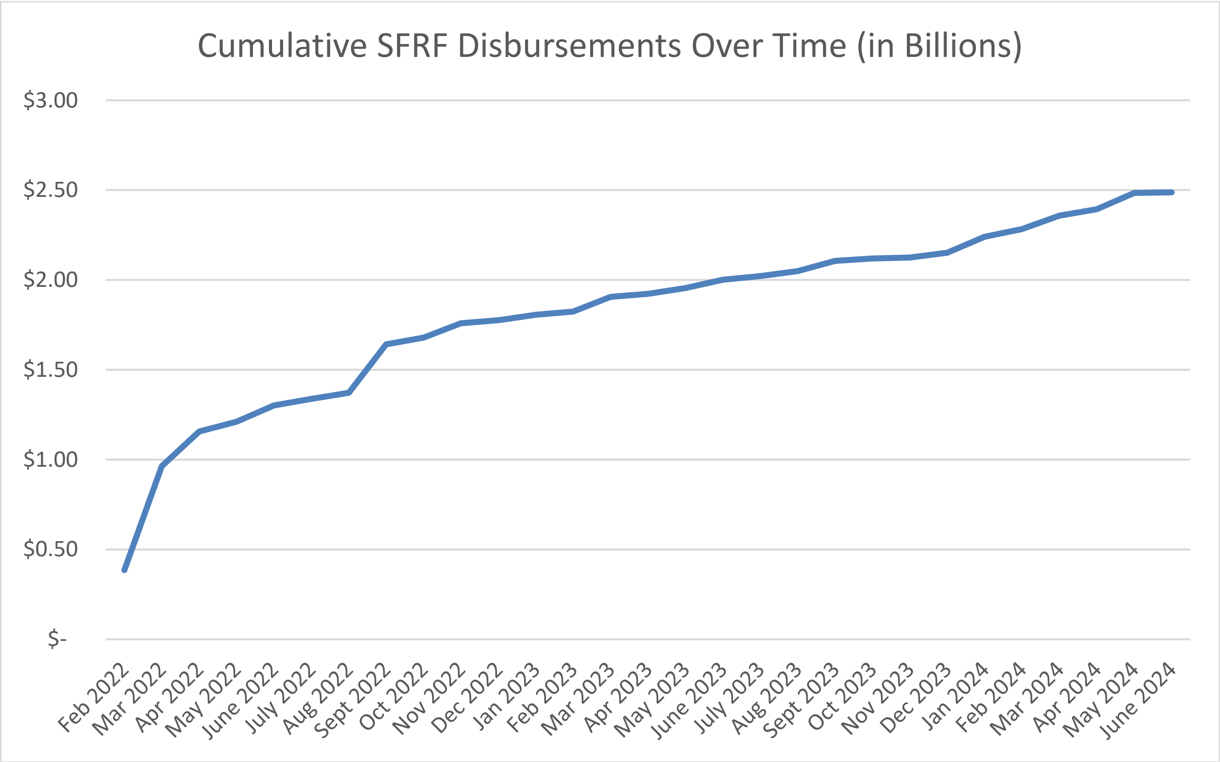
[1] Total State Fiscal Recovery Fund allocations and certain allocations to specific recipients changed during the period July 1, 2022, through June 30, 2024, due to legislative recaptures and reallocations within the State Fical Recovery Fund and changes in reporting presentation.

[2] COOP funds were presented as allocations and disbursement within OSBM in OSA's December 2022 SFRF Preliminary Financial Audit. This audit presents COOP funds as they were allocated and disbursed to recipients (See Table 6).

[3] Allocated total includes $2,000,000 in estimated interest.



The following chart illustrates the cumulative disbursements over time from the State Fiscal Recovery Fund.



Appendix B

The State of North Carolina appropriated approximately $5.4 billion to the State Fiscal Recovery Fund through the following series of legislation.

Laws Relevant to the State Fiscal Recovery Fund		Date Enacted	Net Appropriations
Session Law 2021-25	Establishment of State Fiscal Recovery Fund	5/24/2021	--
Session Law 2021-180	Appropriation of State Fiscal Recovery Fund	11/18/2021	$ 5,439,309,692
Session Law 2021-189	Adjustments to State Fiscal Recovery Fund	12/6/2021	--
Session Law 2022-6	Adjustments to State Fiscal Recovery Fund	3/11/2022	--
Session Law 2022-74	Adjustments to State Fiscal Recovery Fund	7/11/2022	--
Session Law 2023-134	Adjustments to State Fiscal Recovery Fund	10/3/2023	--
			$ 5,439,309,692

Appendix C

The following table illustrates the total amount allocated to each recipient and the intended purpose and use of funds (as of June 30, 2024):

Recipient	Allocation	Intended Purpose and Use of Funds
State Agencies		
Administrative Office of the Courts	$35,389,440	Provides funds for protective equipment and technology to support remote access for courts, and funds for the Human Trafficking Commission.
Department of Administration	$20,750,000	Provides funds for small and historically underutilized businesses and a database for tracking the increased number of home schools.
Department of Agriculture	$128,800,000	Provides funds for food storage and distributions, food banks, farms, and for agricultural programs impacted by COVID-19, such as the State Fair and the Western NC agricultural center.
Department of Commerce	$126,210,000	Provides funds for community development, work force solutions, small business development, economic assistance to nonprofits, and tourism recovery.
Department of Environmental Quality	$1,938,275,000	Provides funds for grant programs for water and sewer utilities and infrastructure and stormwater infrastructure. Includes grants for projects to advance economic development or affordable housing as well as Viable Utility Reserve and State Drinking Water, Wastewater Reserve grants for utilities that have been designated as distressed or are at risk of becoming distressed.
Department of Health and Human Services	$502,785,232	Provides funds to DHHS programs and nonprofits directed at homelessness, nutrition services, hospitals, hospice care and behavioral health, as well as bonuses for direct care workers.
Department of Information Technology	$734,086,891	Provides grants and funds to increase broadband availability in rural areas, address local infrastructure needs and connect unserved and underserved households. Provides funds for a workforce development network to meet the talent needs of NC public agencies and private businesses.
Department of Insurance	$8,000,000	Provides funds for grants to volunteer fire departments due to the loss of revenue from COVID-19.
Department of Natural and Cultural Resources	$96,200,000	Provides funds for state parks, museums, historic sites, and other nonprofits impacted by COVID-19.
Department of Public Safety / Department of Adult Corrections	$108,925,000	Provides funds to update and modernize first responder and law enforcement communication services, to support programs for at-risk youth and community supervision programs, cover medical cost increases at state prisons due to the COVID-19 pandemic and to upgrade HVAC at Department of Public Safety state facilities.
Department of Revenue	$502,538,000	Provides funds for migration of data from the Department of Information Technology's mainframe system, and for business recovery grants.
Department of State Treasurer	$101,000,000	Provides funds to reimburse the State Health Plan for COVID-19 testing, treatment, and vaccine administration.
Department of Transportation	$3,000,000	Provides funds for driver's license office extended operations.
Housing Finance Agency	$0	Provides funds for the Workforce Housing Loan Program to develop multi-family affordable housing units across the state. Amount was recaptured pursuant to S.L. 2022-74.
North Carolina General Assembly	$21,800,000	Provides funds to address the impact of the COVID-19 pandemic on the operations of the legislature.

Office of State Budget and Management	$105,375,000	Provides funds for the continuity of operations across state government, and for continued operations of the North Carolina Pandemic Recovery Office through 2023. Provides funds to the CAGC Foundation, Inc. for construction education programs and a Construction Business Academy for Historically Underutilized Businesses and to the City of Winston Salem and to Dare County for construction of affordable housing. Provides funds to the NC Trucking Association to address truck driver shortages, and for grants to YMCA's statewide to assist with economic impacts of COVID-19.
Office of the State Auditor	$0	Provides funds to conduct audits of recipients of American Rescue Plan funds. Amount was recaptured pursuant to S.L. 2023-134.
Institutions of Higher Education		
Department of Public Instruction	$18,648,000	Provides funds for smart school buses and scholarships for students in Forsyth, Rowan and Iredell counties.
North Carolina Community College System	$114,304,422	Provides funds to assist community colleges that experienced enrollment declines during the COVID -19 pandemic, to improve broadband access for rural community colleges, expand apprenticeship programs for high demand fields in Tier 1 and Tier 2 counties, and replace lost revenue for the Cape Fear Botanical Gardens.
Private Colleges and Universities	$51,000,000	Provides funds to NC private colleges and universities to assist with revenue loss mitigation and capital improvements.
University of North Carolina System	$209,584,983	Provides funds for many programs including scholarship recovery programs for children of Armed forces members, need-based grants for tuition and fees for community college students, research and pilot programs on Antiviral Drug Development and Innovative Wastewater Treatment, stabilization funds for the NC Arboretum and for PBS North Carolina, research grants to monitor and address public health and economic impacts of the COVID-19 pandemic, and support of 4-H centers and camps.
Other Governmental Entities		
Local Government Capacity Assistance	$53,500,000	Provides funds for guidance and technical assistance in the administration of Local Recovery Funds to the towns of Apex and Huntersville.
State-Recognized Tribes	$10,006,995	Funds to the seven state-recognized American Indian Tribes.
Employee Bonuses and Benefits		
Employee Bonuses and Benefits	$523,802,253	Funds for bonuses for state employees and local education employees.
Continuity of Operations		
Continuity of Operations (COOP)	$24,532,192	Provides Continuity of Operations funds from the Coronavirus Relief Fund to OSBM for the purposes described in S.L. 2021-180.

Appendix D

The following table illustrates the total amount of Employee Bonuses and Benefits disbursed to each recipient.

Recipient	Disbursed
Administrative Office of the Courts	$ 10,207,276
Appalachian State University	4,236,408
Department of Administration	837,466
Department of Agriculture	2,911,529
Department of Commerce	2,412,653
Department of Environmental Quality	2,251,042
Department of Health and Human Services	23,393,085
Department of Information Technology	1,347,918
Department of Insurance	800,216
Department of Justice	1,026,201
Department of Labor	500,037
Department of Military and Veterans Affairs	154,478
Department of Natural and Cultural Resources	2,776,926
Department of Public Instruction	313,615,348
Department of Public Safety	32,733,412
Department of Revenue	1,961,148
Department of State Treasurer	1,307,706
Department of Transportation	13,299,487
East Carolina University	7,345,924
Elizabeth City State University	520,980
Fayetteville State University	1,107,928
NC Agricultural & Technical State University	2,364,532
NC Auctioneer and Licensing Board	2,691
NC Board of Opticians	1,615
NC Community College System Office	25,727,837
NC General Assembly	923,707
NC Governor's Office	85,852
NC Lieutenant Governor	9,689
NC Office of the State Controller	234,679
NC Psychology Board	6,997
NC School of Science and Math	361,153
NC Secretary of State	259,571
NC Wildlife Resources Commission	969,388
North Carolina Central University	1,765,347
North Carolina State University	12,337,585
Office of Administrative Hearings	64,590
Office of State Budget and Management	124,659
Office of the State Auditor	175,750
State Board of Elections	130,795
State Highway Patrol	55,978
UNC Board of Barber Examiners	9,150
UNC Board of Cosmetic Arts	37,139
UNC Chapel Hill	17,481,402
UNC Chapel Hill Hospital	16,870,909
UNC School of the Arts	694,693
UNC System Office	552,432
University of North Carolina at Asheville	973,395
University of North Carolina at Charlotte	4,926,924
University of North Carolina at Greensboro	3,856,005
University of North Carolina at Pembroke	1,329,612
University of North Carolina at Wilmington	3,209,461
Western North Carolina University	2,383,106
Winston Salem State University	1,128,442
Total Employee Bonuses and Benefits	**$ 523,802,253**

Response From the Office of State Budget and Management

STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT

OSBM
OFFICE OF STATE BUDGET AND MANAGEMENT

JOSH STEIN
GOVERNOR

KRISTIN WALKER
STATE BUDGET DIRECTOR

October 1, 2025

The Honorable Dave Boliek, State Auditor
Office of the State Auditor
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Dear State Auditor Boliek,

Please find the Office of the State Budget and Management (OSBM) and the North Carolina Pandemic Recovery Office's (NCPRO) response to your findings in connection with the preliminary financial audit of State Fiscal Recovery Funds (SFRF). 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 State Fiscal Recovery Fund in accordance with State Fiscal Recovery Fund legislation.

The State of North Carolina received $5.4 billion in SFRF funds. These funds have been appropriated by the North Carolina General Assembly, and OSBM and NCPRO are working to achieve the goals of these funds as set forth by the General Assembly and in accordance with United States Department of Treasury guidance. During the period July 1, 2022, through June 30, 2024, OSBM disbursed $1.2 billion of State Fiscal Recovery Funds. Specifically, OSBM disbursed:

- $849 million to state agencies.
- $263 million to public schools and higher education.
- $35 million for local government capacity assistance.
- $10 million to state Indian tribes and associations.
- $15.6 million for continuity of operations.

As of June 30, 2024, OSBM allocated a total of $5.4 billion (100%) of State Fiscal Recovery Funds and disbursed $2.5 billion (46%) to recipients:

The $2.9 billion (54%) remaining to be disbursed represents the balance for which recipients have yet to request distribution. State Fiscal Recovery Funds must be obligated by December 31, 2024, and expended by December 31, 2026.

All (100%) State Fiscal Recovery funds were obligated by December 31, 2024, in accordance with U.S. Department of the Treasury (U.S. Treasury) regulations. However, any funds not expended by December 31, 2026, will be returned to the U.S. Treasury, unless the United States Congress provides for an extension.

We thank the State Auditor's Office for their professionalism in conducting this audit.

Sincerely,

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984-236-0600 ** FAX: 984-236-0630
An EEO/AA Employer

Office location:
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Raleigh, NC 27601

Response From the Office of State Budget and Management

Kristin Walker

Kristin Walker, State Budget Director

Tommy Clark

Tommy Clark, Director North Carolina Pandemic Recovery Office

Ordering Information

Copies of this report may be obtained by contacting:

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State of North Carolina
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Telephone: 919-807-7500
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Internet: www.auditor.nc.gov

To report alleged incidents of fraud, waste or abuse in state government contact the Office of the State Auditor's Tipline:

Telephone:1-800-730-8477

Internet: www.auditor.nc.gov/about-us/state-auditors-tipline

This audit required 1,447 hours of auditor effort at an approximate cost of $224,285.