

Top stories in this newsletter



OSA Focuses on CARES Act Funds



DOT Salary Overspends



NCVPS Performance Audit



Data Analytics

OSA Focuses on CARES Act Funds

The clock is ticking for North Carolina agencies to spend the \$3.5 billion they received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Office of the State Auditor (OSA) recently pivoted from routine audit work to begin a financial audit and a performance audit of the federal CARES Act moneys. OSA has initiated these audits "now" instead of waiting until the moneys are spent to tell the federal government and NC leadership of any failures. OSA is focusing on four agencies to ensure they have a plan, are implementing their plan, and are actually monitoring the spending to ensure these CARES Act moneys are accomplishing what the federal government and the NC General Assembly intended. The deadline to spend the money is December 30, 2020.



The four agencies and their major initiatives are:

1. Office of State Budget & Management - sending money to local governments and not-for-profits;
2. Department of Health and Human Services - COVID-19 response (testing, tracking and tracing);
3. Department of Public Instruction - bridging the gap for under-performing students, without access to broadband / internet services, trying to succeed in an online learning environment;
4. Department of Revenue - Extra Credit Grant Program (\$335 to families with qualifying children).

DOT Salary Overspends



The General Assembly authorized a 2-year pilot program to run through June 30, 2020 that allowed the NC Department of Transportation (DOT) flexibility to adjust salaries for employees who voluntarily gave up their longevity and career status. Legislation authorized the DOT to use up to two percent of their payroll expense or \$19.6 million.

In July 2020, OSA released the DOT Salary Adjustments Performance Audit which found that the agency gave salary adjustments/raises to employees who did not waive career status or longevity pay. Additionally, the \$58.5 million spent on the raises exceeded the two percent limit.

Whether intentional or due to lack of appropriate due diligence, DOT overspent \$39 million on its salary adjustments, an overspend that will recur annually. Read more about these findings [here](#).

NC DPI Virtual Public Schools Performance Audit

Based on a tip received by parents of a high school student taking an online honors history class, the OSA conducted a performance audit of the Department of Public Instruction (DPI) to determine if online classes were meeting required NC education standards. In a sample of 12 of the 132 courses offered, OSA found:



- 8 out of the 12 courses did not include all the course content required by NC education standards.
- 11 of the 12 courses were not challenging enough to meet guaranteed rigor standards: that students master learning objectives, engage in critical thinking, and retain what they learn.
- Teachers were not being evaluated consistently and in accordance with DPI policies and their mission to provide high-quality online courses and instruction.

Learn more about the NC DPI Virtual Public Schools audit [here](#).

Data Analytics



OSA's Data Analytics Division helps our audit leaders determine where best to focus our audit resources. This technology sorts through incredible amounts of data and points us to areas of high risk of waste or mismanagement. OSA is applying the advanced analytical capabilities to the auditing process making it possible to provide NC decision makers with reliable insights much faster.

Whether conducting financial statement audits or special investigations, the Office of the State Auditor is on a mission to improve the efficiency of state government and help North Carolina maintain its reputation as one of the most fiscally responsible states in the country.

The Auditor's Findings



As we enter the final quarter of 2020, I am more determined than ever to keep tackling and exposing the misuse and mismanagement of your tax dollars.

North Carolina was sent approximately 4 billion dollars from the federal government to respond to the effects of coronavirus, and I am already preparing to give my first update to the General Assembly in just a few short weeks. Not surprisingly, it looks as if I will have to report less than stellar results. While our audits aren't complete yet, we have obtained evidence that some of the state agencies charged with administering the CARES Act funding didn't have plans in place to ensure the money would be spent according to the federal requirements.

Ordinarily, my office doesn't release the results of our audits until all the work is complete, but in this case, the legislators deserve to know how well North Carolina is doing BEFORE all the money is spent. OSA staff is working tirelessly to provide as much information about how this money is being managed as quickly as possible. Once the funds are out the door, there's not much that can be done.

As this will be the last issue of The Monitor for this year, I want to wish everyone a safe and happy holiday season. Please find safe ways to celebrate with friends and family, and hopefully 2021 will bring brighter days for all of us.

Until next year....

Beth

OSA IN THE NEWS

As OSA continues to publish relevant and impactful audit and investigative reports, many print, TV, and online media outlets across North Carolina produce stories that reach every corner of the State. This coverage is essential to ensuring that North Carolinians know how their tax dollars are being spent. Below is a sample of reporting you may have missed:

Plagiarism, copyright infringement and "low rigor": State Auditor gives lawmakers an earful about failings of NC Virtual Plagiarism, copyright infringement and "low rigor": State Auditor gives lawmakers an earful about failings of NC Virtual Public School Public School:

<http://www.ncpolicywatch.com/2020/09/03/plagiarism-copyright-infringement-and-low-rigor-state-auditor-gives-lawmakers-an-earful-about-failings-of-nc-virtual-public-school/>

Lawmakers take on state's virtual public school:

<https://www.ednc.org/lawmakers-take-on-states-virtual-public-school/>

Auditor: DPI Errors Will Cost NC \$18 Million In Money For Special Education

<https://www.wfae.org/post/auditor-dpi-errors-will-cost-nc-18-million-money-special-education#stream/0>

Audit: North Carolina Department of Transportation overspent on raises by nearly \$40M:

https://www.thecentersquare.com/north-carolina/audit-north-carolina-department-of-transportation-overspent-on-raises-by-nearly-40m/article_dd3ed3d6-c208-11ea-b91c-67969f9580d6.html

The Reece Gardner Hour: Auditor Wood appears around the 35 minute mark:

<https://vimeo.com/46777>

\$700 million bond sale to benefit NCDOT approved by N.C. Council of State

<https://nsjonline.com/article/2020/10/700-million-bond-sale-to-benefit-ncdot-approved-by-n-c-council-of-state/>

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To protect the health and well-being of our employees and those we audit, the Office of the State Auditor is observing the statewide State of Emergency and Stay-At-Home orders issued by the Governor. Through the use of technology, telework and other non-contact methods of communication and collaboration, OSA will remain responsive to citizens' inquiries by phone at 919-807-7500 or email to our Public Information Officer at OSA.Communications@ncauditor.net. Media inquiries can be made at 919-807-7513.