



Legislation Text

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TITLE:

Finance Performance Indicator of Concern Letter for FY 2021 Audit

PURPOSE: The purpose of this agenda item is to brief Town Council on a Finance Performance Indicator of Concern Letter from the Local Government Commission related to the FY 2021 Audit

DEPARTMENT: Finance

CONTACT INFORMATION: Arche McAdoo, 919.918.7439

INFORMATION: On April 7, 2022 the Finance Officer received an e-mail from Joe Futima, Financial Analyst, State and Local Government Finance Division, Local Government Commission, inquiring about the Town's response to a Financial Performance Indicator of Concern Letter (FPICL) regarding the late submission of our audit for the Year Ending June 30, 2021. Before we can issue any debt, the Town must submit an adequate response and identify steps to prevent any recurrence.

The audit was due to the Local Government Commission on December 1, 2021, five months and one day from the fiscal year end; however, the audit was not filed until January 24, 2022. The reason for the late filing was because of the need for a single audit identified in late November 2021 by independent auditor's management review of the audit file due to errors in the preliminary Schedule of Expenditures of Federal and State Awards. Normally this Schedule would be reviewed by earlier in the audit process and before firm's management reviews audit files. The manager on the team assigned to our account left the firm immediately after the field visit work began in early September. We were under the impression that the audit was proceeding on schedule and the firm had made the necessary realignment of staff resources to get it completed on time.

Under 20 NCAC 03.0508, the independent auditor is required to notify the governing board and present, during their presentation, any *"significant deficiencies, material weaknesses, other findings or if the auditor determined that Financial Performance Indicators of Concern were identified based on information presented in the audited financial statements . . ."*.

In the presentation to the Carrboro Town Council on February 1, 2022 the independent auditor, Dixon Hughes Goodman, did not communicate any significant deficiencies, material weaknesses, other findings; nor, did the auditors identify any Financial Performance Indicators of Concern based on information presented in the audited financial statements.

To prevent a recurrence of the late filing of financial statements, the Finance Officer shall review the Schedule of Expenditures of Federal and State Awards with the independent auditors prior to the start of yearend audit fieldwork; and the independent auditor shall communicate to the Finance Officer any required corrections in

this Schedule prior to the start of yearend audit fieldwork. Additionally, we will a) seek to include financial penalty in future audit contracts for failure to file financial statements on time, and b) withhold final payment until financial statements have been filed and processed by the LGC.

In discussing this matter further with staff at the LGC, we need to submit a formal response by April 26 to keep our 203 Project financing application on schedule for the May 3rd meeting of the LGC. With their advice and direction, we have prepared the attached resolution for adoption by the Council to acknowledge and respond to the late submission.

FISCAL & STAFF IMPACT: None

RECOMMENDATION: We recommend adoption of the attached resolution and submission to the LGC.