



## Legislation Text

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Follow-up to FY 2022-2023 Audit Finding

**PURPOSE:** The purpose of this agenda item is to provide a response letter for planned corrective actions relating to the audit findings presented to Council on January 9, 2024

**DEPARTMENT:** Finance

**CONTACT INFORMATION:** Bret Greene, (919) 918-7439, bgreene@carrboronc.gov

**COUNCIL DIRECTION:**

☐ Race/Equity ☐ Climate ☐ Comprehensive Plan ☒ Other

This agenda item ensures continued compliance for financial operations and continued improvement in this space. Findings and suggestions have been reviewed by both staff and the independent auditor prior to presentation to Council.

**INFORMATION:** In the audit ending June 30, 2023, the independent auditors identified a material weakness in the balances provided for certain asset and liability accounts which required material adjusting journal entries during the audit process to correct these improperly reported balances. Recommended actions for the FY 2024 and beyond are outlined below and formalized in the attachment.

1. The Finance Director position has been backfilled and Finance Department is fully staffed.
2. New role of Comptroller has been established to strategically govern and lead the accounting process, including approving all journal entries input by Staff Accountant and Accounting Technician.
3. The Deputy Finance Director and Finance Director will lead internal reporting metrics including:
  - a. Monthly Balance Sheet account reconciliation.
  - b. Monthly variance reporting on Actual vs. Budget and Reforecast vs. Budget
  - c. Continually monitor unassigned fund balance goal of 22.5-35.0%.
  - d. Simplify fund reporting process by aggregating smaller funds into grouped reporting as pursuant to North Carolina Law.
  - e. Review all balance sheet accounts, across funds.
  - f. Review and assess system processes for capital assets, accounts receivable and accounts payable.
  - g. Develop, with finance staff, procedures for reconciliations of all balance sheet accounts across funds to ensure that trial balances do not contain errors.
  - h. Recommend necessary training for accounting staff.
4. The above tasks in Item #3 above are to be completed no later than May 31, 2024.

5. Over-expenditures that occurred in the shared transportation fund were the result of the failure to properly budget for and anticipate the annual true-up described in the joint agreement with the Town of Chapel Hill. The agreement is structured with a straight-line contribution from the entities based on actual expenses in FY 2021-2022, subjected to a one-time annual true-up in June of the ending Fiscal Year. In Fiscal Year 2022-2023, the true-up was not anticipated and invoiced in June 2023, at which point the charge of \$123,568.20 was accrued as an accounts payable on 6/30/2023, resulting in a budget expenditure overage and budget violation identified in October, 2023. Additionally, the Transportation Fund has minimal annual activity other than this obligation from the Town and was not able to initiate a staff-level reclass of dollars to cover the unforeseen expense, thus requiring a Council approved Budget Amendment. The Finance Department has instituted various budgetary review processes and is now fully staffed to prevent future occurrences, described in item (3) above.
6. The Finance Director shall report to the Town Council on the outcomes of the above by September 19, 2024.

**FISCAL IMPACT:** No fiscal impact for findings in the prior fiscal year

**RECOMMENDATION:** That the Town Council accept this letter in response to audit findings from Fiscal Year 2022-2023.