20 NCAC 03 .0508 RESPONSE TO THE INDEPENDENT AUDITOR'S FINDINGS, RECOMMENDATIONS, AND FISCAL MATTERS

(a) If the governing body of a government unit is notified by its independent auditor that the audited financial statements presented to the governing body included one or more 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, then the governing body shall develop a "Response to the Auditor's Findings, Recommendations, and Fiscal Matters" ("Response"), pursuant to this Rule, signed by a majority of the members of the governing body. The governing body shall submit the Response to the Secretary within 60 days of the auditor's presentation.

(b) The Response shall address each significant deficiency, material weakness and other audit finding presented to the governing body and shall provide a plan to address each Financial Performance Indicator of Concern reported to the governing body. The Response shall include the following:

(1) Audit Findings

(A) A written description of the procedure, process, or action plan developed by the government unit to address each finding, including all material weaknesses and significant deficiencies, and any other issues related to the internal controls or fiscal health of the government unit as disclosed in the management letter, the Single Audit or Yellow Book reports, or any other communications from the auditor regarding internal controls as required by current auditing standards set by the Accounting Standards Board or its successors.

(B) The description shall provide specific and detailed steps with measurable results that allow the governing body to conclude that the procedure, process, or action plan as implemented and followed by the staff of the government unit, will address the specific audit finding. The description may include such information as the date for implementation, position titles responsible for implementation, positions performing the procedures or processes, frequency of performance, and other matters necessary to evaluate the success of the procedure or process.

(2) Financial Performance Indicators of Concern

(A) A written description of the procedure, process, or action plan developed by the government unit to address each Financial Performance Indicator of Concern.

(B) The description shall provide specific and detailed steps with measurable results that allow the governing body to conclude that it will address each specific Financial Performance Indicator of Concern. The description may include such information as the time period required for improvement, any governing body action required for implementation, the steps to increase revenue or reduce expenses, the frequency of performance evaluation, and other matters necessary to evaluate the success of the plan.

(c) If the governing body disagrees with an audit finding, it shall describe in detail its disagreement and explain the factors that support this determination in its Response.

History Note: Authority G.S. 159-3(f); 159-34;
Eff. November 1, 2020.