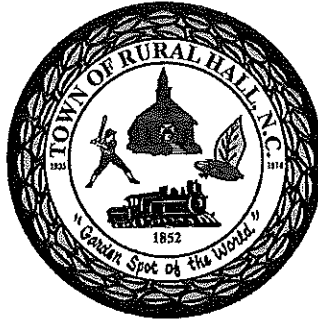


TOWN OF RURAL HALL



MAYOR
Timothy M. Flinchum

MAYOR PRO TEM
Susan H. Gordon

COUNCIL
Terry M. Bennett
Norman E. Horn
Janet M. Carithers

INTERIM TOWN MANAGER
Ron Niland

TOWN CLERK
Lynette E. Hendrick

INTERIM FINANCE DIRECTOR
Homer Dearmin

FINANCE OFFICER
Terry M. Bennett

June 12, 2023

Office of the Secretary
North Carolina Local Government Commission
3200 Atlantic Avenue
Raleigh, NC 27604

To Whom it May Concern:

In accordance with the requirements outlined in 20 NCAC 03 .0508, The Town of Rural Hall submits this letter and the following information as its Financial Performance Indicators of Concern (FPIC) response. Concerns identified are in **bold**, and the unit response is below each heading.

- **The unit was unable to provide timely financial information to the audit firm and provide the financial statements by the filing deadline.**

The unit was unable to provide timely financial information to the audit firm and provide the financial statements by the filing deadline because of significant turnover during the time in which the audit is normally performed. The Town Manager resigned in October of 2021, an Interim Town Manager was appointed in November of 2021 and resigned within weeks, and the new Town Manager appointed in January of 2022 resigned her position in January, 2023. Prior to her resignation, the Town's Finance Director submitted his resignation in December of 2022, which left little institutional memory among the remaining staff.

To prevent recurrence of the late filing of financial statements, the Town Council appointed an Interim Town Manager in January of 2023, who has since hired an Interim Finance Director and contracted with a local government accounting firm to assist with preparation for the annual audit and with bank reconciliations and other accounting functions as needed. The audit contract is already in place for FY2023, and all accounts are in balance and prior entries posted, so the audit should go much smoother this year.

- **Excess expenditures over appropriations – For the fiscal year ended June 30, 2022, the administrative expenditures made in the Town’s General Fund exceeded the authorized appropriations made by the Council by \$384,377 and public buildings [expenditures] exceeded the authorized appropriations made by the council by \$5,665.**

Over-expenditures that occurred (in the General Fund and the Public Buildings Department) were the result of poor financial management over the course of several changes in the Town’s Management staff between October, 2021 and January, 2023. The unit has hired an Interim Town Manager and Interim Finance Director, and has also secured the services of a local government accounting firm to help manage the Town’s finances, and ensure that all applicable statutes and town procedures are followed in authorizing expenditures (expenses) and making commitments.

- **Prior audit entries: Upon receiving the June 30, 2022 general ledger it was identified that numerous prior audit entries were not properly recorded, numerous adjustments were made that resulted in some accounts being zeroed out in the middle of the fiscal year, and numerous journal entries were made that improperly crossed years. As a result, the trial balance was out of balance in excess of \$400,000, and several balances that may have been relied upon by the Town were not correct. We recommend ensuring all audit entries are made, accounts closed out only at the end of the fiscal year, and journal entries be posted within a fiscal year.**

To prevent recurrence of prior audit entries not being properly recorded, the unit has engaged the services of Greg W. Isley, CPA, PA to assist with these entries, and they have already been entered into the Town’s accounting software for 2022.

The trial balance disparity has been corrected by the unit’s contracted accounting firm, Greg W. Isley, CPA, PA in order for the Town to complete the most recent audit, and as long as we close out our fiscal year properly going forward this will not be a recurring concern.

- **Prior period adjustment- bank reconciliations: A prior period adjustment in the amount of \$45,628 was recorded in the general fund and government-wide statements to correct an error in a prior period. When ASW received audit documentation, all bank reconciliations were completed through the fiscal year end, however the NC Office of State Auditor’s investigative report identified bank reconciliations being completed untimely. According to the report, bank reconciliations had not been completed since November 2021 as of April 2022. We recommend the Town ensure that bank reconciliations are completed on a timely basis, no later than 30 days after the end of the month.**

To prevent recurrence of bank reconciliations not being properly recorded, the unit has engaged the services of Greg W. Isley, CPA, PA to assist with reconciliations. Accounts were reconciled by the previous Finance Officer through November of 2022, and subsequent reconciliations are being handled by the accounting firm until permanent staff are in place and trained on the proper reconciliation process.

- **Dual Signatures: Per General Statute 15-25(b) all checks are required to be signed by the Finance Officer or properly designated deputy Finance Officer and countersigned by another official of the local government designated for this purpose by the governing board. ASW identified several checks that did not have dual signatures prior to February 2022. We recommend ensuring all checks are signed by the Finance Officer and designated official.**

To address this deficiency and prevent future recurrence, the recently appointed Interim Town Manager has required dual signatures on all town-issued checks. One of these signatures must be a staff member, and the other must be one of the two elected officials designated as signatories for the Town's checking accounts.

- **Contracts:** ASW identified an invoice that was paid for contracted services, however a contract for the services was not able to be located by the Town staff. We recommend prior to engaging in 3rd party services that a contract be approved, signed, and pre-audited.

To address this deficiency and prevent future recurrence, the unit's governing board appointed one of its members as the unit's Finance Officer effective December 29, 2022, and he is now responsible for ensuring that all contracts are properly approved, signed, and pre-audited.

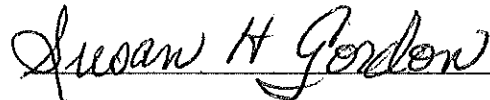
- **Prior period adjustment - fixed assets:** A prior period adjustment in the amount of \$43,416 was recorded for fixed asset depreciation related to sidewalks placed in service prior to 7/1/2021 that were never depreciated. We recommend the Town closely monitor fixed assets and depreciation schedules to ensure all assets are being properly recorded and depreciated.

To address this deficiency and prevent future recurrence, the Town's fixed asset and depreciation schedules were corrected during the audit process and will be closely monitored moving forward.

In accordance with 20 NCAC 03 .0508, this letter has been reviewed by the Town's auditor, and is signed and submitted by the Town of Rural Hall's elected officials, as well as the Town's Interim Town Manager and Interim Finance Director.



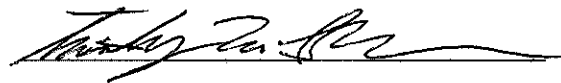
Homer T. Dearmin, Interim Finance Director



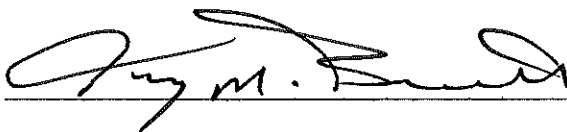
Susan H. Gordon, Mayor Pro Tempore



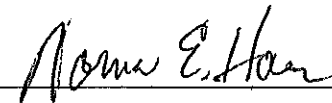
Ron Niland, Interim Town Manager



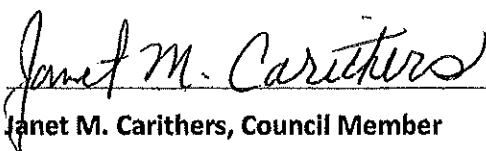
Timothy M. Flinchum, Mayor



Terry M. Bennett, Council Member/Finance Officer



Norman E. Horn, Council Member



Janet M. Carithers, Council Member