

Cleveland County Finance Department Audit Readiness Assessment

Final Report

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Prepared for
Cleveland County Management and Board of Commissioners



I. Purpose of Engagement

The Board of Commissioners and County Management engaged this assessment to understand why the FY25 audit was not completed by the extended statutory deadline of February 12, 2026 (submitted to Local Government Commission on March 17, 2026) and to ensure that the FY26 audit is filed on time. The goal of the assessment was not to assign blame but to evaluate the underlying systems, processes, roles and capacity that support financial reporting and to recommend practical steps for improvement. The assessment focused on:

Root cause analysis - identify the factors that led to the delayed FY25 audit completion and reporting.

Structure and internal controls - evaluate the finance department's organizational structure, staffing and internal controls.

Audit readiness practices - assess how the department plans for and coordinates the audit, including use of the Prepared by Client (PBC) organizer, timelines and communication with external auditors.

Communication and oversight - review how the County Manager and Board receive information about the audit process and how oversight is exercised.

Future-readiness: identify action steps to ensure timely, accurate financial reporting.

II. Engagement Approach

The assessment was conducted in April 2026 and consisted of the following activities:

A. Document review

FY25 audit report and prior years' reports, including dates of submission to the Local Government Commission (LGC).

Auditor materials: audit timeline, key milestones (planned versus actual), PBC lists and submission timing, journal entries, the final auditor trial balance, management letter and the data input worksheet submitted to the LGC.

County materials: month-end and year-end close procedures, a staff task and roles matrix, and documentation of changes made during FY25 (software transitions, role realignments, etc.).

B. Staff interviews

1. **Group Meeting:** More than two hours of group discussion were held with the following finance staff on Tuesday, April 21st :

Sherrie Greer	Andrea Camp	Ian Bishop	Tonya Brittian
Sybil Walker	Shelton Binion	Ashlyn Becatti	

Staff were asked to reflect on three questions:

- a. When the audit goes well, what does that look like from your perspective?
- b. If you could change one thing about how you prepare or move through the audit, what would make the biggest difference?
- c. Where do things tend to slow down or become more difficult than they should?

The discussion explored how work is performed, where delays occur and how staff capacity, training and tools affect audit readiness. Follow-up questions were used to probe issues such as deadlines, bottlenecks in information flow, availability of support, staff turnover and the impact of technology changes.

2. **Individual Meetings:** In addition to the group meeting, individual meetings were held with Sherrie Greer, Tonya Brittain and Sybil Walker due to their detailed involvement in the audits and their tenure with the County. These sessions allowed for more candid dialogue and offered greater insight into some of the audit's challenges.

C. Process walkthroughs

Selected financial processes were reviewed to understand how they support audit preparation. These included the month-end and year-end closes, journal entries, bank and credit card reconciliations, AR deposit processing, fixed asset tracking and the use of the Keystone system for bank reconciliations and invoice imports. Particular attention was paid to the timing of reconciliations and the alignment of general ledger (GL) postings with bank activity.

D. Organizational structure and staffing review

The department's organization chart, position descriptions and vacancy list were reviewed to understand the span of control, segregation of duties and capacity relative to workload. Interviews assessed whether staff felt adequately trained and supported and whether their roles aligned with audit expectations. Recent turnover in key positions (Finance Director, Accounting/Reporting Manager and Assistant Director) was discussed.

III. Findings and Analysis

A. Root causes of the FY25 late audit

The primary cause of the late audit was a combination of limited staff experience in key audit functions and multiple concurrent process and system changes that were not fully implemented or supported. The NC State Treasurer's Office extended the audit deadline to February 12, 2026, based on the delays in the release of OMB guidelines resulting from the Federal Shutdown in the fall of 2025. The County provided the auditor with a final trial balance on February 12, 2026. Once the auditor receives the final trial balance, significant work remains to finalize the audit, including drafting the financial statements. The primary cause of the delay appears to be the following:

1. **Bank reconciliation backlog** - The primary driver of the FY25 delay was the finance team's inability to complete bank and credit-card reconciliations promptly. In FY25, the department attempted to convert bank reconciliations from Excel to the Keystone ERP system while restructuring AR processes and staff positions. The Finance Director instructed staff to discontinue the daily review of bank transactions and to complete the bank comparisons in Keystone at month-end. The Keystone reconciliation module proved unreliable for large accounts; it required all adjustments to be posted before it would display a reconciliation, creating a bottleneck. Staff ultimately reverted to Excel for the operating account, losing months of progress. At the time of the assessment, the October and November reconciliations for FY26 were still being completed.
2. **Multiple changes without a full understanding of the impact** - The former Finance Director and former Finance and Accounting Service Manager implemented numerous system and process changes that were not fully analyzed for operational impact and were not fully communicated to staff impacted by the changes. Staff noted that changes initiated by previous

finance leadership were not adequately communicated or sequenced. They value innovation but stressed that major process changes must be implemented slowly, with training and input from those who perform the work.

3. **Loss of experienced staff** - The lead person on prior audits, Tonya Brittain, accepted another position within the County, resulting in a significant loss of audit preparation experience. The former Finance Director was unfamiliar with North Carolina guidelines and the possible consequences of a late audit and/or significant audit findings. He failed to plan appropriately to meet audit deadlines.

B. Finance department structure, staffing and capacity

The finance department has seasoned staff in core roles (AP, purchasing, budget and AR) with 20-30 years of service, alongside newer hires still learning local government accounting. Currently, there are three key positions vacant: the Finance Director, the Accounting and Reporting Manager, and the Assistant Director (as of May 15, 2026).

1. Strengths

- a. Collaborative culture - staff have stepped up to share work when positions were vacant and expressed willingness to train others.
- b. Commitment to improvement - staff is open to new tools (imports, revised processes and procedures) and willing to adopt best practices when fully supported.
- c. Finance staff believe that once all finance positions are filled with well-qualified staff, there is sufficient staff to meet workload demands.

2. Challenges

- a. With multiple vacant positions, including departmental leadership, managing daily operations while preparing for and completing the audit on time may be difficult.
- b. Training needs are significant - newer staff require grounding in fund accounting, NC statutes and LGC requirements. Staff also need hands-on training in tools such as Keystone, DebtBook (for GASB 87/96 leases and subscription-based IT agreements) and the County's fixed-asset module.

C. Audit readiness practices

The team has experience using the auditors' PBC organizer and has developed internal spreadsheets to track assignments and deadlines. During FY25, however, these tools were inconsistently used after key staff left, and new staff were not always trained to assign tasks and monitor progress. Before FY25, the county consistently completed the audit before December 31.

1. Audit preparation often begins too late. Staff waits until mid-summer to start compiling PBC items, which compresses the schedule and overlaps year-end close tasks.
2. Deadlines for departmental submissions (e.g., AP batches, deposit recaps) are inconsistently communicated and enforced. This results in late submissions and overtime for AP and AR staff.
3. Bank and credit-card reconciliations are not completed monthly. Delays accumulate throughout the year, creating a heavy lift at year-end.
4. Fixed assets and leases are recorded after the audit rather than as they occur throughout the year. Staff is still learning DebtBook; not all contracts have been evaluated to determine whether they meet lease or subscription criteria.

5. While staff occasionally download the PBC organizer into a spreadsheet and assign tasks, this practice was not maintained after key staff left. A lack of centralized tracking makes it easy for items to fall through the cracks.

D. General Observations

During discussions with staff, issues not directly related to the audit were noted, and warrant management's awareness and attention.

1. **Support from County Manager** – Staff shared that they have felt supported by the County Manager during the transition. The County Manager has been approachable and available.
2. **Working Finance Director** – Staff expressed concerns that the former Finance Director did not consistently provide hands-on technical support or sufficient oversight during a period of significant operational change. The ability to lead, manage, and delegate is an important attribute for a county finance officer. Still, with a small staff, the director must also have the technical knowledge and skills to do detailed work – they do not have the luxury of only being a leader and manager. More importantly, the finance director must have the breadth and depth of experience to provide appropriate direction, oversight and support to their direct reports.
3. **Keystone Financial System**
 - a. **System Changes**– The former Finance Director worked with Keystone to make system changes that staff noted as concerns and took exception to, but were unable to prevent their implementation. The remaining staff lacks the knowledge to reverse these changes and will need Keystone's expertise to modify the system.
 - b. **System Interface** – Keystone's user interface is outdated and difficult to navigate. Staff reports that routine tasks require excessive clicks and screen changes, that navigation paths are not intuitive, and that the system lacks modern workflow features such as dashboards and drill-down capabilities. This slows daily work and lengthens the learning curve for new employees.
4. **Property Tax System** – The county's largest revenue source, property taxes, is currently maintained on the AS400 technology platform. This technology is outdated and nearing obsolescence. Legacy systems pose a risk because they are often difficult to update and require skills held by long-tenured employees eligible for retirement.
5. **Adherence to deadlines** – Staff noted that the operating departments frequently miss processing deadlines, which interrupts timely transaction processing and reporting.
6. **Training and knowledge gaps** - Staff who came from the private sector or other roles noted that they lacked a strong foundation in fund accounting, local government statutes and North Carolina-specific audit requirements. Because Thompson Price prepares the County's financial statements, staff had limited experience assembling the statements themselves and therefore limited understanding of how year-end activities translate to the audited financials. This contributed to uncertainty about the impact of process changes on fund balance and reporting.

Collectively, these observations indicate that audit readiness is not solely a finance function, but an organization-wide process that requires consistent adherence to established procedures.

IV. Recommendations

A. Immediate corrective actions (FY26 audit cycle)

1. **Hire an experienced Finance Director** - Recruit a CPA or former governmental auditor with local government experience. The Finance Director should serve as the "person responsible for accounting knowledge" (SKE) in the audit contract and provide consistent leadership.
2. **Complete FY26 bank reconciliations backlog by June 30** - Focus on clearing the backlog in the main operating and credit-card accounts. Use Excel or another tool that works reliably for large volumes. Utilize built-in Excel functions that concatenate dates and amounts to match deposits and checks more easily.
3. **Reinstate a detailed PBC tracking file** - Download the auditors' PBC organizer, assign each item to a staff member and set due dates. Monitor progress weekly and report regularly to the County Manager. This will ensure accountability and early identification of bottlenecks.
4. **Enforce cut-off deadlines for AP and AR** - Publish a schedule for departmental submissions of batch lists, signatures and deposit recaps. Secure management support to hold departments accountable when deadlines are missed. If items are not received by the deadline, process them in the next cycle.
5. **Clarify roles and responsibilities:** document current tasks for each staff member and cross-train on critical processes (reconciliations, imports, fixed assets, DebtBook and PBC assignments). Fill the vacant Assistant Director and Accounting/Reporting Manager positions as soon as possible and ensure an experienced audit coordinator is in place.
6. **Engage Keystone and DebtBook for training and a system review** - Request that Keystone conduct a system review to confirm that the County is using all available import and reconciliation features effectively. Provide hands-on training for staff. Contact DebtBook to ensure all leases and subscription-based IT agreements are properly recorded, and to train staff in entering new contracts.
7. **Communicate audit progress** - Establish monthly updates to the County Manager and quarterly updates to the Board on the status of audit preparation, bank reconciliations and PBC submissions. Early warning allows management to allocate resources or adjust priorities.
8. **Address deposit identification issues** - Work with the bank to include deposit slip identifiers or Medicaid numbers in ACH remittances to distinguish EMS and Public Health payments. Until then, consider adding department codes to deposits posted in the GL. Evaluate whether the EMS and Public Health Medicaid numbers differ; if so, use those numbers to automate the identification of deposits.

B. Short-term improvements (FY27 audit cycle)

1. **Reengineer revenue postings to mirror bank activity** - Post each cash receipt type (cash, credit-card, ACH) as separate lines in the GL with department codes to facilitate matching to bank statements. Develop a standard deposit template that departments must use and train departments on its use.
2. **Implement monthly close and reconciliation calendar** - Create a month-end checklist covering all reconciliations, journal entries, fixed asset updates and DebtBook entries. Assign responsibilities and due dates. Completing these tasks monthly will prevent year-end accumulation.

3. **Develop an audit process manual:** Create a guide summarizing the key steps required to finalize the trial balance for auditors so new staff can understand the process quickly. Include flowcharts and checklists, key year-end entries and procedures performed only at year-end.
4. **Provide targeted training** - Enroll staff in School of Government courses on governmental accounting, fund balance and LGC requirements. Consider engaging an experienced finance professional to provide hands-on training on best practices, financial statement analysis and management letter interpretation. Pair newer staff with seasoned colleagues for on-the-job training.
5. **Enhance cross-department communication** - Convene quarterly meetings with finance, EMS, Public Health, tax, grants and other departments to review revenue and expenditure processes, discuss upcoming audit needs and reinforce cut-off dates.
6. **Modernize core financial systems** - Two of the County's most critical financial systems require modernization: the Keystone ERP and the Property Tax. Continued reliance on these systems creates operational, succession and audit risk. Recommended steps within the FY27 cycle:
 - a. Authorize a replacement initiative for both systems and identify an executive sponsor to provide oversight and accountability.
 - b. Develop functional requirements, evaluate vendors and project total cost of ownership for each system.
 - c. Sequence the replacements; do not implement concurrently. A key lesson from FY25 is that simultaneous system and process changes overwhelm staff capacity and increase audit risk.
 - d. Build a project team that includes end users from finance, tax and operating departments so requirements reflect how the County actually works.

C. Long-term best practices and capacity building

1. **Assess department structure and staffing levels** - Once vacant positions are filled, evaluate whether the department has sufficient capacity to handle both daily operations and audit preparation without excessive overtime. Consider adding a financial analyst or controller position to focus on reconciliations and audit coordination.
2. **Adopt technology strategically** - Continue exploring imports and AI invoice scanning, but implement new features gradually with training and clear documentation. Request that vendors perform periodic health checks on system usage to ensure the County is benefiting from updates.
3. **Align posting practices with reconciliation needs** - Review how transactions are entered in the GL and adjust them so they match the way the bank reports transactions. This will reduce reconciliation effort and improve accuracy.
4. **Foster a culture of continuous improvement** - Encourage staff to document pain points throughout the year and to suggest improvements. Share successes and lessons learned across departments. Use the FY26 audit as an opportunity to build confidence and momentum for ongoing improvements.

V. Conclusion

Cleveland County's finance staff is committed to delivering accurate and timely financial reporting and has demonstrated resilience amid significant transitions, including leadership turnover and process changes. The delay in completing the FY25 audit was not due to a lack of effort but rather to a convergence of staffing challenges, process changes, and gaps in audit-readiness practices.

The County can complete the FY26 audit on time, provided that immediate steps are taken to address outstanding reconciliations, reinforce accountability for deadlines, and provide clear leadership and direction within the finance function. The staff has a strong foundation of institutional knowledge and a willingness to improve, both of which are critical to moving forward successfully. Since sharing preliminary findings and recommendations, the County Manager and the finance department have begun addressing the highest priority items.

With the implementation of the recommendations outlined in this report—particularly the hiring of an experienced Finance Director, strengthening audit preparation processes, and reinforcing organization-wide accountability—the County can not only return to timely audit completion but also establish a more sustainable and efficient financial operation.

I appreciate the opportunity to assist Cleveland County with this assessment. The cooperation, openness, and professionalism demonstrated by staff throughout this process were instrumental in developing a clear understanding of the current challenges and opportunities. I look forward to supporting the County, as needed, in implementing these recommendations and strengthening its financial operations.
