



# STATE OF NORTH CAROLINA

**AUDIT RESULTS FROM**  
**CAFR AND SINGLE AUDIT PROCEDURES**  
**DEPARTMENT OF THE STATE TREASURER**  
**FOR THE YEAR ENDED JUNE 30, 2000**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

January 9, 2001

The Honorable Michael F. Easley, Governor  
Members of the North Carolina General Assembly  
The Honorable Richard Moore, State Treasurer  
Department of the State Treasurer

We have completed certain audit procedures at the Department of the State Treasurer related to the State's *Comprehensive Annual Financial Report (CAFR)* and the State's *Single Audit Report*, for the year ended June 30, 2000. Our audit was made by authority of Article 5A of *North Carolina General Statute § 147*.

The results of these procedures, as described below, yielded audit findings and recommendations for the Department related to the State's general-purpose financial statements which may require disclosure in the aforementioned reports. The findings noted above, except those related to the Investment Pool, are included in the findings and recommendations section contained herein. Our findings and recommendations related to the audit of the Investment Pool are provided in a separately issued report which may be obtained from the Office of the State Auditor, 2 South Salisbury Street, 20601 Mail Service Center, Raleigh, N.C. 27699-0601. Our recommendations for improvement and management's responses follow each finding.

The finding contained herein discusses a deficiency in internal control in the Firemen's and Rescue Squad Workers' Pension Fund. During our tests of contributions received from firemen and rescue squad workers, adequate source documents to support the transactions could not be located.

The accounts and operations of the Department of the State Treasurer are an integral part of the State's reporting entity represented in the *CAFR* and the *Single Audit Report*. In the *CAFR*, the State Auditor expresses an opinion on the State's financial statements. In the *Single Audit Report*, the State Auditor also presents the results of tests on the State's internal control and on the State's compliance with laws, regulations, contracts, and grants applicable to the State's financial statements and to its federal financial assistance programs. The audit procedures were conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133.

As part of the work necessary for issuance of the *CAFR* and the *Single Audit Report*, the following individual funds and federal programs of the State were subjected to audit procedures at the Department of the State Treasurer as we considered necessary:

Funds for the *Comprehensive Annual Financial Report*:

**Investment Pool**

State Treasurer's Investment Pool

Investment Trust Fund

**General Long Term Obligations Account Group**

State Bonded Debt

**Pension Funds**

Teachers' and State Employees' Retirement System

Consolidated Judicial Retirement System

Legislative Retirement System

Firemen's and Rescue Squad Workers' Pension Fund

North Carolina National Guard Pension Fund

Local Government Employees' Retirement System

**Internal Service Funds**

Death Benefit Plan of North Carolina

Federal Programs for the *Single Audit Report*:

Local Government Commission Monitoring

Central Service Costs

The individual funds and federal programs subjected to audit at the Department of the State Treasurer are substantially less in scope than would be necessary to report on the general-purpose financial statements that relate solely to the Department or the administration of federal programs by the Department. Therefore, we do not express such conclusions.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Respectfully submitted,



Ralph Campbell, Jr.  
State Auditor

## AUDIT FINDINGS AND RECOMMENDATIONS

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**Finding and Recommendation from Current Audit** - The following present a finding and recommendation related to a deficiency in the Department of the State Treasurer's internal control.

### 1. SOURCE DOCUMENTS FOR CONTRIBUTIONS MADE TO THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND

The Department was unable to locate source documents necessary to verify the employee contribution amounts made into the Firemen's and Rescue Squad Workers' Pension Fund. The Department could not readily locate 7 of the 30 source documents selected for testing. In fact, 3 of the documents were never located.

The Retirement Division files the source documents for employee contributions by employer number. However, the filing system does not track the merging of employers or reassignments to a new, different employer number. Of the four documents that were difficult to locate, three were due to fire and/or rescue departments merging and being assigned a new or different number. One of the four documents was simply misfiled.

*Recommendation:* The Retirement Division should design a method to track employer codes that have merged in order to identify the new numbers that have been assigned. They should also take greater care when filing the source documents to ensure that the reports are properly filed.

*Agency Response:* We concur with the Auditor's recommendation that the Retirement Division should design a method to track employer codes that have merged in order to identify the new numbers that have been assigned. We asked the Department of Insurance to notify us in the future when there is a merger of fire departments. This will enable us to maintain accurate records in the future.

### 2. INVESTMENT POOL FINDINGS

Additional findings and recommendations related to the audit of the Investment Pool are provided in a separately issued report. A complete copy of the audit report for the Investment Pool of the North Carolina Department of the State Treasurer can be obtained from the Office of the State Auditor, 2 South Salisbury Street, 20601 Mail Service Center, Raleigh, N.C. 27699-0601.

## **DISTRIBUTION OF AUDIT FINDINGS AND RECOMMENDATIONS**

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In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this document have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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The Honorable Beverly Perdue  
The Honorable Richard Moore  
The Honorable Roy Cooper  
Mr. Marvin K. Dorman, Jr.  
Mr. Edward Renfrow

Governor of North Carolina  
Lieutenant Governor of North Carolina  
State Treasurer  
Attorney General  
State Budget Officer  
State Controller

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Mr. James D. Johnson

Majority Leader of the N.C. House of Representatives  
Minority Leader of the N.C. House of Representatives  
Director, Fiscal Research Division

January 9, 2001

## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

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