



# STATE OF NORTH CAROLINA

**FISCAL CONTROL AUDIT REPORT ON  
OFFICE OF THE LIEUTENANT GOVERNOR  
RALEIGH, NORTH CAROLINA  
FOR THE PERIOD JULY 1, 2002 THROUGH FEBRUARY 28, 2003**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

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**THE HONORABLE BEVERLY PERDUE  
LIEUTENANT GOVERNOR**



Ralph Campbell, Jr.  
State Auditor

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## AUDITOR'S TRANSMITTAL

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The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
The Honorable Beverly Perdue, Lieutenant Governor

This report presents the results of our fiscal control audit of the Office of the Lieutenant Governor for the period July 1, 2002 through February 28, 2003. Our work was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes* and was conducted in accordance with the standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The objective of the audit was to gather and evaluate evidence about selected internal control policies and procedures designed to ensure reliable financial accounting and reporting and compliance with finance-related laws, regulations, and contract provisions.

The results of our tests disclosed no significant weaknesses in internal control or significant instances of noncompliance or abuse that require disclosure under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads 'Ralph Campbell, Jr.'.

Ralph Campbell, Jr.  
State Auditor

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## **BACKGROUND INFORMATION**

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The Office of the Lieutenant Governor was established in 1868. Under the constitution, the Lieutenant Governor is first in line to succeed the Governor should the office become vacant. The Lieutenant Governor is elected by the citizens, serves a four-year term, and may be reelected to one additional consecutive term.

The Lieutenant Governor acts as President of the state Senate, serving as its chief presiding officer on the Senate floor, and is also a member of the Council of State. The Council of State includes the State's top elected officials and oversees certain statewide business transactions.

The Lieutenant Governor serves on many boards and commissions including the State Board of Education, the North Carolina Board of Community Colleges, and the Board of Economic Development. The Lieutenant Governor also makes appointments to various boards and commissions that advise the legislature and executive branches of state government on policy matters.

The operations of the Office of the Lieutenant Governor are funded by state appropriations. Expenditures consist primarily of salaries and related personnel costs. The Department of Administration performs all accounting and other financial management functions for the Office of the Lieutenant Governor.

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# **OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS**

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## **OBJECTIVES**

As authorized by Article 5A of Chapter 147 of the *North Carolina General Statutes* and in accordance with the standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we have conducted a fiscal control audit at the Office of the Lieutenant Governor. The objective of the audit was to gather and evaluate evidence about selected internal control policies and procedures designed to ensure reliable financial accounting and reporting and compliance with finance-related laws, regulations, and contract provisions for the period July 1, 2002 through February 28, 2003.

Management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that relevant objectives are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

## **SCOPE**

Our audit scope included selected internal controls in the following areas:

### Financial Accounting and Reporting

*Payroll Cycle* - An entity's payroll cycle generally consists of the activities associated with paying for human resources. Financial statement accounts typically impacted by this cycle include cash, salaries, fringe benefits, and payroll taxes. Our audit was limited to salary costs and accrued vacation leave.

### Finance-related Compliance

*Payroll and Personnel* - Laws, regulations, and/or contracts commonly prescribe procedures for human resource activities. For example, salaries and adjustments may be limited and employees may earn leave at prescribed amounts. Such requirements were included in our audit scope.

## **METHODOLOGY**

To accomplish our audit objective, we gained an understanding of internal control, performed tests of control effectiveness, and performed corroborating direct tests of the accounting records, reports, and/or compliance as we considered necessary in the circumstances. Specifically, we performed procedures such as interviewing personnel, observing operations, reviewing policies, analyzing accounting records, and examining documentation supporting

## **OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS (CONCLUDED)**

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recorded transactions and balances. Our procedures were more limited than would be necessary to give an opinion on internal control, and accordingly, we do not express such an opinion.

### **RESULTS**

The results of our tests disclosed no significant weaknesses in internal control or significant instances of noncompliance or abuse that require disclosure under *Government Auditing Standards*.

The purpose of this report is to provide management and oversight organizations recommendations needed to improve internal control over financial accounting and reporting and compliance with finance-related laws, regulations, and contract provisions. Consequently, reporting on accomplishments in areas that appear to be functioning properly is beyond the scope of this audit.



## **DISTRIBUTION OF AUDIT REPORT**

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In accordance with General Statutes 147-64.5 and 147-64.6(c)(14), copies of this report 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 M. Perdue  
The Honorable Richard H. Moore  
The Honorable Roy A. Cooper, III  
Mr. David T. McCoy  
Mr. Robert L. Powell

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

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Majority Leader of the N. C. Senate  
Minority Leader of the N. C. Senate  
Minority Leader of the N. C. House of Representatives  
N. C. House Speaker Pro-Tem  
Director, Fiscal Research Division

May 8, 2003

## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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