



STATE OF NORTH CAROLINA

FISCAL CONTROL AUDIT REPORT ON DEPARTMENT OF ADMINISTRATION

RALEIGH, NORTH CAROLINA

FOR THE PERIOD JULY 1, 2003 THROUGH FEBRUARY 29, 2004

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

**FISCAL CONTROL AUDIT REPORT ON
DEPARTMENT OF ADMINISTRATION
RALEIGH, NORTH CAROLINA
FOR THE PERIOD JULY 1, 2003 THROUGH FEBRUARY 29, 2004**

**GWYNN T. SWINSON
SECRETARY**



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Gwynn T. Swinson, Secretary
Department of Administration

This report presents the results of our fiscal control audit of the Department of Administration for the period July 1, 2003 through February 29, 2004. 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 a fiscal control audit is to gather and evaluate evidence about internal control over selected fiscal matters, such as financial accounting and reporting and/or compliance with finance-related laws, regulations, and provisions of contracts or grant agreements.

The results of our audit disclosed no internal control deficiencies or instances of noncompliance or abuse that are considered reportable 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." in a cursive script.

Ralph Campbell, Jr.
State Auditor

TABLE OF CONTENTS

	PAGE
BACKGROUND INFORMATION	1
OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS	3
DISTRIBUTION OF AUDIT REPORT	7

BACKGROUND INFORMATION

The Department of Administration acts as business manager for the State of North Carolina. The Department oversees government operations such as building construction, purchasing and contracting for goods and services, managing State vehicles, acquiring and disposing of real property, and operating auxiliary services such as courier mail delivery and the sale of State and federal surplus property. In addition, the Department maintains State-owned buildings and grounds and provides police security for State government facilities in Wake County.

The Secretary of the Department of Administration is appointed by the Governor. The Department has two major operating divisions, Governmental Operations and Internal Services, as well as several support units. Based on reported amounts for the fiscal year ended June 30, 2003, the Department annually expends approximately \$67 million in its general fund, \$15 million in its special revenue funds, and \$42 million in its internal service funds. The primary revenue sources supporting these expenditures include State appropriations, charges to other State agencies, and federal grants.

[This Page Left Blank Intentionally]

OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS

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 Department of Administration.

The objective of a fiscal control audit is to gather and evaluate evidence about internal control over selected fiscal matters, such as financial accounting and reporting and/or compliance with finance-related laws, regulations, and provisions of contracts or grant agreements. Also, should any information arise during the audit indicating that significant abuse may have occurred, the audit objective may be extended to include internal control designed to prevent abuse and to determine whether the abuse did in fact occur and its impact. Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice.

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 covered the period July 1, 2003 through February 29, 2004 and included selected internal controls in the following organizational units:

Mail Service Center – Courier Services

The Mail Service Center (MSC) is responsible for providing mail services to State agencies. These services include pickup of mail to be delivered by the United States Postal Service, courier mail pickup and delivery between State agencies and institutions, and interoffice mail pickup and delivery for the Raleigh State government complex. Courier mail services were the focus of our audit. Specifically, we considered internal control related to the following accounts and control objectives for courier mail:

- Sales and Services – These are the fees charged to State agencies and institutions for pickup and delivery of courier mail. The Department recorded sales and services revenue during our audit period of approximately \$1.4 million. We examined internal controls designed to ensure that all agencies were properly charged and that all revenues were properly recorded.

OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS (CONTINUED)

- Travel Expenses – These expenses include charges for leasing vehicles from Motor Fleet Management and payment of a meal allowance for courier drivers. By special permission granted by the Office of State Budget and Management in 1982, courier route drivers receive reimbursement for one meal per shift at the approved State per diem rates. The Department reported vehicle charges of approximately \$179,000 and meal expenses of approximately \$36,000 during our audit period. We examined internal controls designed to ensure that travel charges were valid and properly accounted for.

State Parking Systems Division

The State Parking Systems Division is responsible for administering the State government parking system and coordinating the State employees' transportation and commuting programs for the Raleigh State government complex. The parking system includes numerous parking lots with spaces leased to State employees on a monthly basis and three visitor parking lots with hourly rental spaces. During our audit of the State Parking Systems Division, we considered internal control related to the following account and control objectives:

- Sales and Services – The Parking Division collects revenue for the parking spaces leased in State-owned parking lots. The majority of revenue comes from spaces leased to State employees. The Department recorded sales and services revenue during our audit period of approximately \$895,000. We examined internal controls designed to ensure that charges were complete, at appropriate rates, and properly accounted for.

State Property Office

The State Property Office acts as the real estate broker for the State. One of the Office's responsibilities is administering the allocation of real estate among State agencies and institutions. Per *North Carolina General Statute* 143-342.1, State agencies that are self-supporting are required to pay rent for State office space to the Department of Administration. The Office of State Budget and Management identifies the agencies that meet the criteria for paying the rental charge and determines the rental rate. During our audit, we considered internal control related to the following account:

- Rental of Real Property – This is the revenue collected from the State agencies for the rental of office space described above. The Department reported approximately \$2 million in rental revenues during our audit period. We examined internal controls designed to ensure that all of the agencies identified by the Office of State Budget and Management paid rent at the approved rate and that the collections were properly accounted for by the Department of Administration.

OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS (CONCLUDED)

METHODOLOGY

To accomplish our audit objectives, 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 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 audit disclosed no internal control deficiencies or instances of noncompliance or abuse that are considered reportable under *Government Auditing Standards*.

[This Page Left Blank Intentionally]

DISTRIBUTION OF AUDIT REPORT

EXECUTIVE BRANCH

The Honorable Michael F. Easley	Governor of North Carolina
The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Ms. Gwynn T. Swinson	Secretary, Department of Administration

LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

President Pro Tempore	Speaker of the House
Senator Marc Basnight, Co-Chair	Representative James B. Black, Co-Chair
Senator Charles W. Albertson	Representative Richard T. Morgan, Co-Chair
Senator Patrick J. Ballantine	Representative Martha B. Alexander
Senator Daniel G. Clodfelter	Representative Rex L. Baker
Senator Walter H. Dalton	Representative Bobby H. Barbee, Sr.
Senator Charlie S. Dannelly	Representative Harold J. Brubaker
Senator James Forrester	Representative Debbie A. Clary
Senator Linda Garrou	Representative E. Nelson Cole
Senator Wilbur P. Gulley	Representative James W. Crawford, Jr.
Senator Fletcher L. Hartsell, Jr.	Representative William T. Culpepper, III
Senator David W. Hoyle	Representative W. Pete Cunningham
Senator Ellie Kinnaird	Representative W. Robert Grady
Senator Jeanne H. Lucas	Representative Joe Hackney
Senator Stephen M. Metcalf	Representative Julia C. Howard
Senator Anthony E. Rand	Representative Joe L. Kiser
Senator Eric M. Reeves	Representative Edd Nye
Senator Robert A. Rucho	Representative William C. Owens, Jr.
Senator R. C. Soles, Jr.	Representative Wilma M. Sherrill
Senator Scott Thomas	Representative Thomas E. Wright

Other Legislative Officials

Mr. James D. Johnson	Director, Fiscal Research Division
----------------------	------------------------------------

June 1, 2004

ORDERING INFORMATION

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

Internet: <http://www.ncauditor.net>

Telephone: 919/807-7500

Facsimile: 919/807-7647