

STATE OF NORTH CAROLINA

OFFICE OF THE STATE CONTROLLER

STATEWIDE FINANCIAL STATEMENT AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2013

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

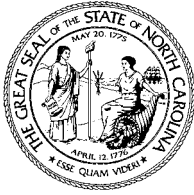
OFFICE OF THE STATE CONTROLLER

STATEWIDE FINANCIAL STATEMENT AUDIT PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2013

ADMINISTRATIVE OFFICERS

DAVID T. MCCOY, STATE CONTROLLER



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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Raleigh, NC 27699-0601
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AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
Members of the North Carolina General Assembly
David T. McCoy, State Controller
Office of the State Controller

We have completed certain audit procedures at the Office of the State Controller related to the State of North Carolina reporting entity as presented in the Comprehensive Annual Financial Report (CAFR), as of and for the year ended June 30, 2013. Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit objective was to render an opinion on the State of North Carolina's financial statements and not the Office of the State Controller's financial statements. However, the report included herein is in relation to our audit scope at the Office of the State Controller and not to the State of North Carolina as a whole. The State Auditor expresses an opinion on the State's financial statements in the *Comprehensive Annual Financial Report* published by and available from the North Carolina Office of State Controller.

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 cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor



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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

David T. McCoy, State Controller,
and Management of the Office of the State Controller

As part of our audit of the State of North Carolina's financial statements, we have audited selected elements of the Office of the State Controller's financial statements, as of and for the year ended June 30, 2013. Our report on the State of North Carolina's financial statements is included in the State's *Comprehensive Annual Financial Report*. Our financial statement audit scope at the Office of the State Controller included the following:

- The Controller's Internal Control over Statewide Financial Reporting;
- The Controller's General Fund Balance Sheet for FRU 90 – General Fund Revenues;
- The Controller's Preparation of the State's *Comprehensive Annual Financial Report*.

The audit results described below are in relation to our audit scope at the Office of the State Controller and not to the State of North Carolina as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Office of the State Controller's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the State's financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office of the State Controller's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office of the State Controller's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or

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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free of material misstatement, we performed tests of the Office of the State Controller's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

November 25, 2013

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

Telephone: 919-807-7500

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For additional information contact:

Bill Holmes
Director of External Affairs
919-807-7513

This audit required 3,920 audit hours at a cost of \$297,920. Of this total:

- The audit of the General Fund Revenues balance sheet required 132 audit hours at a cost of \$10,032.
- The audit of internal control over statewide financial reporting and the preparation of the *State's Comprehensive Annual Financial Report* required 3,788 audit hours at a cost of \$287,888.

Additional hours and costs of audits at other state entities to support our report on the State of North Carolina's financial statements are included in audit reports issued for those entities.