



STATE OF NORTH CAROLINA

PERSON COUNTY CLERK OF SUPERIOR COURT

FISCAL CONTROL AUDIT

ROXBORO, NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

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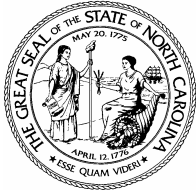
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THE HONORABLE DEBORAH L. BARKER, CLERK OF SUPERIOR COURT



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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
The Honorable Deborah L. Barker, Clerk of Superior Court

This report presents the results of our fiscal control audit of the Person County Clerk of Superior Court. 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; compliance with finance-related laws and regulations; and/or management of financial resources.

The results of our audit disclosed deficiencies in internal control and/or instances of noncompliance or other matters that are considered reportable under *Government Auditing Standards*. These matters are described in the Audit Findings and Recommendations section of this report.

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.

Leslie W. Merritt, Jr.

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

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BACKGROUND INFORMATION

The office of the Clerk of Superior Court is created by the North Carolina Constitution which mandates that there be a Clerk of Superior Court for each county. Under the constitution, it is the responsibility of the General Assembly to prescribe jurisdiction and the powers of the Clerk. Laws of the General Assembly regarding clerks must be uniformly applied in every county in the State.

Voters of each county elect the Clerk of Superior Court to a four-year term. Clerks are paid by the State, with their salaries scaled in accordance with the population of their counties. The Clerk appoints the assistants, deputies and employees in his or her office. The number of assistants and deputies that each clerk may employ varies from county to county depending on the volume of business. Assistant and deputy clerks are paid on a salary schedule fixed by the Administrative Office of the Courts based on education and years of service in the Clerk's office; the maximum and minimum salaries within that scale are fixed by the General Assembly.

The responsibilities of the Clerk are numerous and varied. The Clerk, as a judicial officer of the Superior Court, has judicial responsibilities. The Clerk is judge of probate; that is, the Clerk handles the probate of wills (proceedings to determine if a paper writing is a valid will) and the administration of estates of decedents, minors and incompetents. The Clerk also hears a variety of special proceedings such as adoptions, incompetency determinations and partitions of land and is empowered to issue arrest and search warrants and to exercise the same powers as a magistrate with respect to taking pleas of guilty to minor littering, traffic, wildlife, boating, marine fisheries, alcoholic beverage, State park recreation and worthless-check offenses.

The Clerk is also responsible for all clerical and record-keeping functions of the Superior Court and District Court. The Clerk operates a unified record-keeping system for all civil actions, special proceedings, estates, criminal actions, juvenile actions, minutes of the court, judgments, liens, lis pendens, and numerous other records required by law. The Clerk maintains the judgment docket, is custodian of evidence in civil and criminal trials, and issues civil summons and subpoenas. In addition, the Clerk invests money received and held by his or her office in trust and receives and administers insurance or other money on behalf of minors and incapacitated adults.

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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 Person County Clerk of Superior Court.

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; compliance with finance-related laws and regulations; and/or management of financial resources. Our audit does not provide a basis for issuing an opinion on internal control, and consequently, we have not issued such an opinion.

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 September 1, 2006, through February 28, 2007. During our audit, we considered internal control related to the following accounts and control objections:

Cash and Cash Equivalents - This classification includes change funds, cash on deposit with private bank accounts, savings accounts and money market accounts. We examined internal control designed to ensure that the Clerk properly safeguards, accounts for and reports these assets.

Investments - This classification includes certificates of deposit and savings accounts. We examined internal control designed to ensure that the Clerk properly safeguards, accounts for and reports these assets.

Trusts - This classification includes funds held by the Clerk for minors, incapacitated adults, and others according to the terms of a court order, will or deed. We examined internal control designed to ensure that the Clerk properly safeguards, accounts for and reports these funds.

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/or performed direct tests of the accounts and transactions 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.

RESULTS

The results of our audit disclosed deficiencies in internal control and/or instances of noncompliance or other matters that are considered reportable under *Government Auditing Standards*. These items are described in the Audit Findings and Recommendations section of this report.

AUDIT FINDINGS AND RECOMMENDATIONS

1. MAGISTRATES RECEIPTS

The Clerk of Superior Court Financial Policies and Procedures Manual states that magistrates who issue manual receipts should submit receipts, funds and paperwork to the Clerk of Superior Court's cashiers office at the end of each shift. If the magistrate's shift ends after the Clerk of Court's office hours, submission should be made during the next business day. *North Carolina General Statute 147-77* requires collected funds to be deposited daily. Magistrates should use only receipt books individually assigned to them.

We reviewed the log of magistrates' receipts maintained by the cashier's office for the period of September 1, 2006, through February 28, 2007. During this time period there were 175 receipts submitted to the cashiers by magistrates. Auditors noted errors in 14 (8%) of the receipts reviewed. There were five manual receipts deposited between one and five business days late. There were eight instances in which a magistrate used a receipt book that was assigned to another magistrate. There was one missing receipt.

Recommendation: We recommend that the Clerk establish procedures to ensure that all funds collected by magistrates are submitted to the Clerk cashiers at the end of their shift or the next business day in accordance with the Clerk of Superior Court Financial Policies and Procedures Manual and G.S. 147-77. To ensure proper internal control and compliance with Clerk of Superior Court Financial Policies and Procedures Manual receipt books should be safeguarded so that each magistrate has access only to the books that are individually assigned to them. Magistrates should not allow anyone else to use their receipt books. All receipts should be turned in to the cashier's office and all receipts should be accounted for.

Clerk's Response: Effective immediately, a report will be filed with the Chief District Court Judge on each occasion that a Magistrate returns their deposit to the Clerk's office more than 48 hours past their shift. It will then be in the discretion of the Chief District Court Judge as to any action that will be taken. With regard to the continuing problem with Magistrates using each other's receipt books, a policy will go into effect immediately that each Magistrate will lock up their receipt book in their bank bag when not on duty. There should be no "borrowing," "using," and/or "swapping" of receipt books by the Magistrates. A report of such use will be formally filed with the Chief District Court Judge for action. Magistrates must also be aware that they are responsible for keeping up with receipts written in their assigned books and any loss of receipts will be reported to the Chief District Court Judge for review.

2. CASH BONDS

Procedures should be in place to review aging schedules for all liability accounts. A determination should be made as to whether funds can be disbursed to the owner, held by the clerk, or escheated.

AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)

Auditors reviewed six Cash Bonds out of 35 over one year old (17%). Out of this sample all of the cases had been disposed. No attempt had been made to disburse funds to their owners.

Clerk's Response: An Aging Report dealing with the status of Cash Bonds will now be produced at the beginning of each month. The Bookkeeper will be charged with the duty of following up with the deputy clerks in the Criminal Division on the status of each of these bonds shown on the report. The Bookkeeper will keep the Clerk informed as to the status of this monthly report. In this way, there will be measures in place to follow-up on this report which will prevent any bond going more than one year on the aging report without being addressed.

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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