



STATE OF NORTH CAROLINA

EDGECOMBE COUNTY CLERK OF SUPERIOR COURT

FISCAL CONTROL AUDIT

TARBORO, NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

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THE HONORABLE CAROL A. WHITE, 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 Carol A. White, Clerk of Superior Court

This report presents the results of our fiscal control audit of the Edgecombe 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 instances of noncompliance 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.

A handwritten signature in cursive script that reads "Leslie W. Merritt, Jr.".

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

TABLE OF CONTENTS

	PAGE
BACKGROUND INFORMATION	1
OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS	3
AUDIT FINDINGS AND RECOMMENDATIONS.....	5
ORDERING INFORMATION	7

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 Edgecombe 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 March 1, 2007, through August 31, 2007. During our audit, we considered internal control related to the following accounts and control objectives:

Cash and Cash Equivalents - This classification includes change funds and cash on deposit with a private bank account. We examined internal controls designed to ensure that the Clerk properly safeguards and accounts for these assets. As of August 31, 2007, the Clerk had \$211,850.55 in Cash and Cash Equivalents.

Investments - This classification includes pooled investments. We examined internal controls designed to ensure that the Clerk properly safeguards and accounts for these assets. We also examined evidence to support compliance with finance-related laws and regulations over these assets. These laws and regulations set limits on authorized investments, set timing requirements for investing funds, provide for the Clerk to receive a fee for administering the investments, and provide for allocation of interest to the beneficial owner or owners of the funds. As of August 31, 2007, the Clerk had \$2,001,268.19 in Investments.

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 controls designed to ensure that the Clerk properly safeguards and accounts for these funds. We also examined evidence to support compliance with finance-related laws and regulations. These laws and regulations set guidelines for the receipt, administration and disbursement of these accounts. As of August 31, 2007, the Clerk had \$2,020,332.61 in Trust accounts.

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 instances of noncompliance 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. IMPROPER SYSTEM ACCESS CONTROLS

The Clerk's Office has improper controls over access to information systems. As a result there is an increased possibility of error or fraud occurring and not being detected timely.

Cashiers have access to the Automated Criminal Infractions System (ACIS) which allows them the opportunity to waive citations. With this access, cash could be lost or stolen and concealed by waiving the citation.

The Administrative Office of the Courts Financial Policies and Procedures Manual section 2.9 states that a cashier should not have access to ACIS.

Recommendation: The Clerk should ensure that access rights are set in accordance with the Administrative Office of the Courts Financial Policies and Procedures Manual and sound internal control practices.

Clerk's Response: Being short staffed due to an earlier issue of vacancies occurring in the Clerk's office criminal division, and in an attempt to continue to provide good public service when a citation was paid, the cashiers were cross-trained to handle reporting of the disposition as soon as possible to the Department of Motor Vehicle, Raleigh, NC. Corrective action has now been taken (vacancies filled and employees trained) and Cashier responsibilities are now segregated. The update status in ACIS has now been removed. The Clerk of Superior Court ensures that access rights are set in accordance with the Administrative Office of the Courts Financial Policies and Procedures Manual and sound internal control practices have been implemented.

2. MAGISTRATE COLLECTIONS NOT DEPOSITED TIMELY

Magistrate collections were not deposited timely in accordance with established procedures. When deposits are delayed, revenues may be lost and inappropriate or fraudulent activity may go undetected.

The Magistrate's Office has a policy requiring receipts to be deposited with the Clerk Cashier's Office daily or by the next business day if the money was receipted on weekends or after normal Clerk Cashier's Office hours. In our test of 40 deposits, we identified six magistrate deposits that were deposited one to three business days after the required deposit date.

The Clerk of Superior Court Financial Policies and Procedures Manual describes sound internal controls over magistrate collections, including controls applicable to the timely submission of and accounting for all receipts.

AUDIT FINDINGS AND RECOMMENDATIONS (CONCLUDED)

Recommendation: The Clerk should implement procedures to ensure that all receipts are deposited in accordance with established procedures. Procedures should be in accordance with the Clerk of Superior Court Financial Policies and Procedures Manual.

Clerk's Response: The Magistrate's office is located off-site. Two of the three Magistrates collections not deposited timely were appointed in December 2006, and during this period of time they were considered to be in training. The Clerk's office has implemented procedures to ensure that all receipts are deposited in accordance with established procedures. Procedures are in accordance with the Clerk of Superior Court Financial Policies and Procedure Manual.

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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