

# STATE OF NORTH CAROLINA

**CATAWBA COUNTY CLERK OF SUPERIOR COURT**

**FISCAL CONTROL AUDIT**

**NEWTON, NORTH CAROLINA**

**OFFICE OF THE STATE AUDITOR**

**LESLIE W. MERRITT, JR., CPA, CFP**

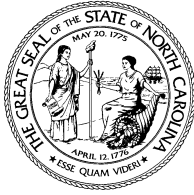
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**THE HONORABLE AL JEAN M. BOGLE, CLERK OF SUPERIOR COURT**



STATE OF NORTH CAROLINA  
Office of the 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 Al Jean M. Bogle, Clerk of Superior Court

This report presents the results of our fiscal control audit of the Catawba 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 performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The objective of a fiscal control audit is to identify improvements needed in 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 Responses 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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# **OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS**

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

As authorized by Article 5A of Chapter 147 of the *North Carolina General Statutes*, we have conducted a fiscal control audit of the Catawba County Clerk of Superior Court. There were no special circumstances that caused us to conduct the audit, but rather it was performed as part of our effort to periodically examine and report on the financial practices of state agencies and institutions.

The objective of a fiscal control audit is to identify improvements needed in 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 rendering 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.

To accomplish our audit objectives, we gained an understanding of internal control over matters described above and evaluated the design of the internal control. We then performed further audit procedures consisting of tests of control effectiveness and/or substantive procedures that may reveal significant deficiencies in internal control.

Specifically, we performed procedures such as interviewing personnel, observing operations, reviewing policies, analyzing accounting records and examining documentation supporting recorded transactions and balances. Whenever sampling was used, we applied a nonstatistical approach but chose sample sizes comparable to those that would have been determined statistically. As a result, we were able to project our results to the population but not quantify the sampling risk.

As a basis for evaluating internal control, we applied the internal control guidance contained in *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As discussed in the framework, internal control consists of five interrelated components, which are (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

Our audit scope covered the period February 1, 2008 through July 31, 2008. 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 private bank accounts. We examined internal control designed to ensure that the Clerk properly safeguards and accounts for these assets. As of July 31, 2008, the Clerk had \$664,553.99 in cash and cash equivalents.

*Investments* - This classification includes certificates of deposit, savings accounts, and pooled investments. We examined internal control designed to ensure that the Clerk properly safeguards, accounts for and reports 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 July 31, 2008, the Clerk had \$4,689,546.82 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 control designed to ensure that the Clerk properly safeguards and accounts for these accounts. 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 July 31, 2008, the Clerk had \$4,720,790.09 in trust accounts.

### **RESULTS**

The results of our audit disclosed deficiencies in internal control and/or instances of noncompliance or other matters that are considered reportable under generally accepted government auditing standards. These items are described in the Audit Findings and Responses section of this report.

## AUDIT FINDINGS AND RESPONSES

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### LACK OF INTERNAL CONTROLS TO SAFEGUARD ASSETS

The Catawba County Clerk of Superior Court did not have adequate physical security to safeguard cash. As a result, there was an increased risk of loss or misappropriation.

Unauthorized personnel were permitted to enter the cashiering area and the safe where cash and keys to cash drawers were stored. The combination to the safe was known to numerous cashiers and the combination was not changed frequently enough to help prevent unauthorized use.

*Recommendation:* The Clerk's Office should enhance internal controls over the safeguarding of assets by restricting access to the cashiering area and the safe. The combination to the safe should be changed periodically and access to the combination should be limited to the fewest people possible. Keys to cash drawers should be individually assigned and secured.

*Clerk's Response:* I have taken the following measures to correct the auditors' concerns to safeguard our assets.

1. The door into the cashiering area has been replaced with a "dutch door," where the bottom half of the door remains locked from inside to anyone trying to enter this area; only the cashiers are allowed in this area where cash registers and the safe are located. The top-half of the door is kept open for ventilation and speaking with other staff deputy and assistant clerks.
2. The combination to the safe has been changed by Kever Locksmith, Hickory. The new combination is known to three people only: two cashiers and a bookkeeper (necessary for when inclement weather prevents cashiers from getting to the office; the bookkeeper is a designated "vital staff" member and will always be present when the office is open). New key "flip locks" have been added to the cash drawers; separate, individual keys were assigned for each cash drawer and are to be kept in a secured key box.

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## ORDERING INFORMATION

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Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://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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