



STATE OF NORTH CAROLINA

STOKES COUNTY CLERK OF SUPERIOR COURT

FISCAL CONTROL AUDIT

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

STOKES COUNTY CLERK OF SUPERIOR COURT

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DANBURY, NORTH CAROLINA

THE HONORABLE JASON TUTTLE

CLERK OF SUPERIOR COURT



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AUDITOR'S TRANSMITTAL

January 10, 2012

The Honorable Beverly Eaves Perdue, Governor
The General Assembly of North Carolina
The Honorable Jason Tuttle, Clerk of Superior Court

This report presents the results of our fiscal control audit at the Stokes 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, regulations, and provisions of contracts or grant agreements; and/or management of financial resources.

The results of our audit disclosed a deficiency 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 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.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS

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 at the Stokes 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, regulations, and provisions of contracts or grant agreements; 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 below 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 audit in accordance with generally accepted government auditing standards applicable to performance audits. 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 April 1 through September 30, 2011. 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 September 30, 2011, the Clerk had \$ 121,068 in cash and cash equivalents.

Investments - This classification includes certificates of deposit and a pooled savings account. We examined internal control 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 September 30, 2011, the Clerk had \$263,814 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 September 30, 2011, the Clerk had \$ 282,247 in invested trust accounts.

RESULTS

The results of our audit disclosed a deficiency 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

MAGISTRATE COLLECTIONS NOT DEPOSITED TIMELY

Magistrate collections were not remitted to the cashier's office in accordance with established policies; therefore, receipted funds were not deposited in accordance with statutory requirements. As a result, there is an increased risk of loss or misappropriation of cash collections.

For the five magistrates in the Clerk's Office, we reviewed all the manual receipt logs for the period of April 1, 2011 through September 30, 2011. During that time period, there were 54 magistrate receipts submitted to the cashier's office. We identified that 35, or 65% of the magistrates' receipts, were submitted to the cashier's office two or more days after original receipt. Furthermore, we noted that four of the five magistrates encountered delays in the timely submission of their receipts.

The *Clerk of Superior Court Financial Policies and Procedures Manual* issued by the Administrative Office of the Courts states that magistrates should submit receipts, funds, and paperwork to the Clerk of Superior Court's cashier's office at the end of each shift. If the magistrate's shift ends after the Clerk's office hours, submission should be made during the next business day. In addition, *North Carolina General Statute 147-77* requires collected funds to be deposited daily unless an exemption is granted by the State Treasurer for receipt totals less than \$250.

Recommendation: The Clerk's Office should work with the magistrates and officials to whom they report to ensure that the magistrates are aware of and follow the Administrative Office of the Court's policies and state law regarding the timely deposit of receipts.

Clerk Response: I have discussed with each of the magistrates the requirement that any funds collected by them must be submitted into my office in a timely manner as described in the AOC Financial Policies and Procedures Manual section *Submitting Collections to the CSC*. I have also provided a copy of this financial policy to the magistrates for their review.

I have written a letter to the Chief District Court Judge requesting that he review this policy with the magistrates and work with them to develop a procedure as approved by AOC to insure that all collections are submitted as required.

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