



STATE OF NORTH CAROLINA

NORTH CAROLINA DEPARTMENT OF JUSTICE

FINANCIAL RELATED AUDIT

OF SELECTED FISCAL CONTROLS

JUNE 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

NORTH CAROLINA DEPARTMENT OF JUSTICE

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AUDITOR'S TRANSMITTAL

June 22, 2012

The Honorable Beverly Eaves Perdue, Governor
The General Assembly of North Carolina
The Honorable Roy A. Cooper, III, Attorney General

This report presents the results of our financial related audit at the Department of Justice. 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 results of our audit disclosed no internal control deficiencies or instances of noncompliance or other matters that are considered reportable under *Government Auditing Standards*.

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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BACKGROUND AND GENERAL OBJECTIVES

BACKGROUND

As authorized by Article 5A of Chapter 147 of the *North Carolina General Statutes*, we have conducted a financial related audit at the Department of Justice. 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.

GENERAL OBJECTIVES

The general objective of this financial related audit was to identify improvements needed in internal control over selected fiscal matters. The specific fiscal matters included in the audit are described in the Scope and Specific Objectives section of this report.

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. Our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

METHODOLOGY

To accomplish our audit objective, we gained an understanding of internal control over matters described in the Scope and Specific Objectives section of this report 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 provide evidence about our audit objectives. 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 professional auditing standards. As discussed in the standards, 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.

SCOPE AND SPECIFIC OBJECTIVES

Our audit scope covered the period of July 1, 2011 to December 31, 2011. During our audit we considered internal controls related to the following accounts/funds and control objectives:

Concealed Weapon Permits - These permits are issued by the sheriff's office in each county. The county submits the applicant's fingerprints to the State Bureau of Investigation (SBI) for a records check of state and national databases. The county collects a fee of \$80 for a new permit and \$75 for a renewal and submits up to \$45 of each fee to the Department. The Department reported Concealed Weapons Permit fees collected during our audit period of \$1,190,530. We examined internal controls designed to ensure that the Department collects all fees and properly accounts for these revenues.

Police Information Network Access Fees - These fees are paid by law enforcement agencies to access secure centralized law enforcement databases. The Department reported Police Information Network Access Fees collected during our audit period of \$1,426,195. We examined internal controls designed to ensure that the Department collects all fees and properly accounts for these revenues. We also evaluated whether effective procedures are in place to ensure that charges are in accordance with the fee schedule in the general statutes and that moneys were used to offset the cost of operating and maintaining the network.

Cellular Phone Service - The Department reported \$164,465 of cellular phone service expenditures during our audit period. We evaluated the procedures used to comply with Session Law 2011-391 that requires each agency to develop a policy to limit the issuance and use of mobile electronic devices and to document the issuance in a written justification.

Motor Vehicles - The Department purchases and maintains vehicles for use by its employees. At December 31 the Department had motor vehicles inventory totaling \$12,281,243. We examined internal controls designed to ensure that the Department properly accounts for and safeguards these assets and to ensure compliance with the Office of State Controller inventory policies.

Consumer Settlement Fund - The Consumer Protection Division represents the interests of the using and consuming public and operates under the authority of Chapter 75 of *North Carolina General Statutes – Monopolies, Trusts, and Consumer Protection*. This statute authorizes the Division to investigate and bring legal actions against entities that commit unfair and deceptive trade practices. When a case is settled and the Division receives settlement funds, it disburses the funds to consumers in the form of restitution if restitution is appropriate and the claimants can reasonably be identified, issues a grant for the funds to be spent for purposes related to the settlement, and/or uses the funds for other consumer protection-related purposes. The Department reported Consumer Settlement receipts collected during our audit period of \$1,618,708. Disbursements to individuals totaled \$190,778 and grant payments

SCOPE AND SPECIFIC OBJECTIVES (CONCLUDED)

totaled \$1,068,943 during the audit period. We examined internal controls designed to ensure that the Department properly accounts for the settlement receipts and disbursements. We also evaluated the procedures used to ensure that grant disbursements complied with the settlement documents.

RESULTS AND CONCLUSIONS

The results of our audit disclosed no internal control deficiencies or instances of noncompliance or other matters that are considered reportable under generally accepted government auditing standards.

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