



# STATE OF NORTH CAROLINA

## JOHNSTON COUNTY CLERK OF SUPERIOR COURT FINANCIAL RELATED AUDIT

APRIL 2013

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

**JOHNSTON COUNTY CLERK OF SUPERIOR COURT**

**SMITHFIELD, NORTH CAROLINA**

**FINANCIAL RELATED AUDIT**

**APRIL 2013**

**THE HONORABLE WILL R. CROCKER**

**CLERK OF SUPERIOR COURT**



Beth A. Wood, CPA  
State Auditor

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**AUDITOR'S TRANSMITTAL**

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April 19, 2013

The Honorable Pat McCrory, Governor  
The General Assembly of North Carolina  
The Honorable Will R. Crocker, Johnston County Clerk of Superior Court

This report presents the results of our financial related audit at the Johnston 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 results of our audit disclosed a deficiency in internal control and/or instance of noncompliance that is considered reportable under *Government Auditing Standards*. This finding is 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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## BACKGROUND

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As authorized by Article 5A of Chapter 147 of the *North Carolina General Statutes*, we have conducted a financial related audit at the Johnston 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 voters of each county elect a Clerk of Superior Court for a four-year term. Clerks are responsible for all clerical and record-keeping functions of the superior court and district court. The Clerks' Offices collect, invest, and distribute assets in a fiduciary capacity. For example, the Clerks' Offices collect fines and court costs, hold cash and property bonds, administer estates on behalf of minors, and distribute resources to governmental and private parties as required.

The North Carolina Administrative Office of the Courts (NCAOC) provides statewide support services for the courts, including court programs and management services; information technology; human resources services; financial, legal, and legislative support; and purchasing services. In addition, the NCAOC prepares and administers the court system's budget.

## AUDIT SCOPE AND OBJECTIVES

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The general objective of this financial related audit was to identify improvements needed in internal control over selected fiscal matters. 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. Errors or fraud may nevertheless occur and not be detected because of the inherent limitations of internal control. 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.

Our audit scope covered the period July 1, 2012 through December 31, 2012. During our audit, we considered internal control related to the following accounts and objectives:

*Cash* - This classification includes cash on deposit with private bank accounts. We examined internal control designed to ensure that the Clerk properly safeguards and accounts for these assets. We also examined internal control designed to ensure compliance with laws and regulations related to depositing cash receipts and escheating unclaimed funds after a prescribed period of time. As of December 31, 2012, the Clerk had \$543,616.90 in cash on deposit with private banks.

*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 distributions from the accounts are proper, including internal control designed to ensure compliance with laws and regulations governing distributions where applicable. As of December 31, 2012, the Clerk had \$4,017,241.37 in trust accounts.

## METHODOLOGY

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To accomplish our audit objectives, we gained an understanding of internal control over matters described in the *Audit Scope and 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 interviewed personnel, observed operations, reviewed policies, analyzed accounting records, and examined documentation supporting recorded transactions and balances, as considered necessary in the circumstances. 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: (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.

## RESULTS AND CONCLUSIONS

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The results of our audit disclosed a deficiency in internal control and/or instance of noncompliance that is considered reportable under generally accepted government auditing standards. This finding is described in the *Audit Findings and Responses* section of this report. Management's response is presented after the audit finding. We did not audit the response, and accordingly, we express no opinion on the response.



## AUDIT FINDINGS AND RESPONSES

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### DEFICIENCIES REGARDING DISBURSEMENTS ON BEHALF OF MINORS

The Clerk did not adequately monitor its disbursements on behalf of minors to ensure documentation was obtained as required by law. As a result, there is an increased risk of noncompliance with statutory requirements and that payments were for unallowable purposes.

According to *North Carolina General Statute 7A- 111(a)*, the Clerk shall require receipts or paid vouchers showing that the monies disbursed under this section were for the exclusive use and benefit of the minor child.

The Clerk made 13 disbursements from minors' investments accounts during the audit period. Seven disbursements, totaling \$4,200, were not supported by receipts or paid vouchers to show monies were for the exclusive use and benefit of the child.

*Recommendation:* The Clerk should implement adequate controls over disbursements on behalf of minors to ensure appropriate receipts or paid vouchers are obtained in accordance with statutory requirements and to ensure the Clerk's fiduciary responsibility is met.

*Agency Response:* I agree with your findings, as I am in error. I have talked with my staff and we intend from this point forward to get receipts. If no receipts are returned, they will not be allowed any more money until total monies are paid out. I concur with your audit report findings and will comply with statute requirements.

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## ORDERING INFORMATION

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This audit required 207 audit hours at a cost of \$14,904.