

STATE OF NORTH CAROLINA

WILSON COUNTY CLERK OF SUPERIOR COURT

FINANCIAL RELATED AUDIT

NOVEMBER 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

WILSON COUNTY CLERK OF SUPERIOR COURT

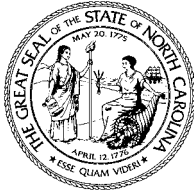
WILSON, NORTH CAROLINA

FINANCIAL RELATED AUDIT

NOVEMBER 2012

THE HONORABLE ANDREW J. WHITLEY

CLERK OF SUPERIOR COURT



Beth A. Wood, CPA
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

November 2, 2012

The Honorable Beverly Eaves Perdue, Governor
The General Assembly of North Carolina
The Honorable Andrew J. Whitley, Wilson County Clerk of Superior Court

This report presents the results of our financial related audit at the Wilson 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 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

TABLE OF CONTENTS

	PAGE
BACKGROUND	1
AUDIT SCOPE AND OBJECTIVES	2
METHODOLOGY	3
RESULTS AND CONCLUSIONS	4
AUDIT FINDINGS AND RESPONSES	5
ORDERING INFORMATION	7

BACKGROUND

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

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. 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.

Our audit scope covered the period July 1, 2011 through June 30, 2012. During our audit, we considered internal control related to the following accounts and objectives:

Cash - This classification includes cash on deposit with private banks. We examined internal control designed to ensure that the Clerk properly safeguards these assets. We also examined evidence to support compliance with laws and regulations for depositing cash receipts and escheating unclaimed funds after a prescribed period of time. As of June 30, 2012, the Clerk had \$531,406 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 June 30, 2012, the Clerk had \$2,195,616 in trust accounts.

Cash Bonds – We examined internal control and evidence to support compliance with finance-related laws and regulations over forfeited cash bonds. These laws and regulations require the Clerk to remit such funds to the county once a final judgment of forfeiture is entered. As of June 30, 2012, the Clerk had \$128,455 in cash bonds.

METHODOLOGY

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 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.

RESULTS AND CONCLUSIONS

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 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

DEFICIENCIES IN CONTROLS OVER MAGISTRATE RECEIPTS

Magistrate collections were not submitted daily as required by established policies, and thus the funds were not deposited within one day of receipt as required by state law. The Wilson County Clerk of Superior Court has not established proper monitoring procedures to ensure that magistrates' collections are submitted timely or that manual receipt books are used properly. As a result, there is an increased risk of loss or misappropriation of cash collections.

We scanned the manual receipt logs for the period of July 1, 2011 through June 30, 2012 for each of the seven magistrates and identified the following:

- Magistrates turned receipts in late. We identified one receipt that was 180 business days late.
- Magistrates used multiple receipt books at the same time.
- Magistrates did not use receipts in sequential order.
- Cashiers incorrectly completed the magistrate log. For example, the cashiers entered magistrate receipts under the wrong magistrate.

In addition, we examined a sample of 101 magistrate receipts and found 17 instances, which represents 17% of the items tested, where the magistrates submitted their receipts to the Clerk's Office two to twenty-two business days after the magistrate collected the funds. As a result, these funds were not deposited in accordance with statute.

North Carolina General Statute 147-77 requires collections of over \$250 be deposited daily. To help ensure compliance with this law, the *Clerk of Superior Court Financial Policies and Procedures Manual* requires the magistrates to submit receipts, funds, and paperwork to the Clerk'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. The manual also states that the Clerk should establish good internal controls over manual receipt books and users of the manual receipt books should do the following:

- No individual should have more than two books assigned to him/her at one time and only one book should be used at a time.
- Receipts should always be used in sequence.
- The individual assigned the receipt book should be notified immediately of any missing receipts so they can give an explanation or statement as to the whereabouts of the missing receipt(s).

Recommendation: The Clerk's Office should work with the magistrates and the officials to whom they report to ensure the magistrates are aware of and follow the policies regarding manual receipts and the daily remittance of receipts to the Clerk. The Clerk's Office should

AUDIT FINDINGS AND RESPONSES (CONCLUDED)

also strengthen internal controls to monitor magistrates' collections and the use of manual receipt books.

Clerk Response: A review of all of the magistrates' receipts for the time period covered by the audit established that every penny was properly receipted, properly accounted and that no funds were missing. We do not dispute that some of the magistrates' receipts were turned in "late", that some of the magistrates' receipts were turned in out of sequential order, or that the magistrates used multiple receipt books. The magistrates are supervised by the Chief District Court Judge (see NCGS 7A-146), so it is impossible for the Clerk of Superior Court to offer an explanation as to why the magistrates did not follow the policies set forth for magistrates in the Policy and Procedures Manual.

Upon meeting with the Chief District Court Judge, the Senior Resident Superior Court Judge and the magistrates, additional local policies have been instituted whereby the magistrates' supervisor and their hiring authority will be immediately notified in writing of any violation or deviation from the policies set forth in the Policy and Procedures 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:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647