



Ralph Campbell, Jr.
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.osa.state.nc.us>

December 19, 2001

The Honorable James Leo Carr, Durham County Clerk of Superior Court
The Honorable Kenneth C. Titus, Chief District Court Judge
The Honorable Orlando F. Hudson, Senior Resident Superior Court Judge
Durham County Courthouse
201 East Main Street
Durham, North Carolina 27701

Gentlemen:

During our audit of the Durham County Clerk of Superior Court (DCSC), we reviewed the internal controls over the magistrate cash collections. This preliminary management letter is limited to issues we identified in that part of our audit dealing with magistrate cash collections and receipting.

Magistrates collect funds and turn in their collections to the DCSC cashier's office. With the turned in receipts, the Head Cashier updates the magistrates' receipt logs, which provide an accounting of the handwritten receipts issued. In our review of the magistrate receipt logs, we noted that some receipts were not being turned in timely as required by the Daily Deposit Act General Statute § 147-77. We identified at least four instances in which the receipts were held over a month before a magistrate turned them in to the cashier's office.

After reviewing the magistrate receipt logs, we began our cash counts to determine whether the cash that magistrates held matched the receipts they had written. We first identified the receipt numbers for which each magistrate was responsible. For collections not yet submitted to the cashier's office, the standard practice was to keep the cash and the receipts in a sealed envelope with the magistrate's name written across the seal. The sealed envelope for each magistrate was placed in the combination safe. During our counts, we noted that the magistrates left the safe open after retrieving their funds.

The Honorable James Leo Carr, Durham County Clerk of Superior Court
The Honorable Kenneth C. Titus, Chief District Court Judge
The Honorable Orlando F. Hudson, Senior Resident Superior Court Judge
December 19, 2001
Page 2

In our cash counts, we were not able to reconcile one magistrate's cash and cash receipts. In our review of this magistrate's receipt log, his receipts had been consistently 5-30 days late. The cash counts on all the other magistrates found no exceptions.

On December 10, 2001, we performed a cash count that identified a shortage for one of the magistrates. As this magistrate entered his office, we approached him and informed him that we needed to do a cash count of his receipts. The magistrate agreed and retrieved a bank bag from his briefcase, not his envelope from the safe as did the other magistrates. In the presence of the magistrate, we counted the cash and reviewed the cash receipts from the bank bag. The cash count from the bank bag was \$92, and the total of written cash receipts was \$3,300. Due to the cash shortage, we asked the magistrate if there were any other cash receipts that needed to be reviewed. The magistrate stated that he thought there were some cash receipts in the safe. The auditors and the magistrate retrieved a sealed envelope with no name on it from the safe. The magistrate opened the envelope and took out the cash. Our actual cash count from the envelope was \$950, which agreed with the two receipts in the sealed envelope. The magistrate agreed that the total of cash receipts equaled \$4,250 and the total of the cash counted was \$1,042. The magistrate agreed with the cash shortage of \$3,208 and provided a written statement so stating.

Based on a December 17, 2001 filing by the Chief District Court Judge, we have obtained further information concerning this magistrate's receipts. On December 14, 2001, a child support clerk inquired about December 5, 2001 receipt and deposit missing from this magistrate. A subsequent examination of the magistrate's receipt books by a court employee indicated that the receipt for the missing deposit had been entered into the receipt book after the December 10, 2001 audit. According to the Daily Cash Balance Summary dated December 17, 2001, the magistrate's cash shortage increased to a total of \$3,840. Also, this information raises the question whether other funds could have been taken in and no receipts written.

Recommendations

Based on the weakness of internal controls on securing the magistrate cash and the timing of deposits, we have several recommendations. We recommend that each magistrate be assigned a locked bank bag, and on a daily basis, the bags be transported to the DCSC cashier's office for deposit. The magistrates should keep their cash and cash receipts in their locked bank bags in the safe. The safe itself should be locked when not in use by a magistrate.

The Honorable James Leo Carr, Durham County Clerk of Superior Court
The Honorable Kenneth C. Titus, Chief District Court Judge
The Honorable Orlando F. Hudson, Senior Resident Superior Court Judge
December 19, 2001
Page 3

We recommend that each day, a magistrate and another employee retrieve the locked bank bags and complete a sign-out log. They would turn in the bags to the cashier's office, where the Head Cashier would also complete a log of the bags received that day. Then the magistrate and other employee should return the bags to the magistrate safe and complete the log indicating which bank bags have been returned.

General Statute § 147-64.6(c)(12) requires the State Auditor to provide the Governor, the Attorney General, and other appropriate officials with a report of apparent instances of violations of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee. In accordance with this mandate, we will provide copies of this management letter to the Governor, the Attorney General, the Director of the State Bureau of Investigation, the District Attorney, the Administrative Office of the Courts and other appropriate officials.

We are presenting this preliminary management letter for your review and response. The purpose of the response is to allow you the opportunity to outline any corrective actions taken or planned. We request your written response by January 3, 2002. If you have any questions or wish to discuss this further, please contact us. We appreciate the cooperation received throughout our audit of the Durham County Clerk of Superior Court and in particular the cooperation extended during this segment of our procedures.



Ralph Campbell, Jr., CFE
State Auditor

RCjr/smt



*State of North Carolina
General Court of Justice
14th District Court District*

KENNETH C. TITUS
CHIEF DISTRICT COURT JUDGE

DURHAM COUNTY JUDICIAL BUILDING
201 EAST MAIN STREET, SUITE 656
DURHAM, NC 27701
TELEPHONE: (919) 560-6807

DISTRICT COURT JUDGES
RICHARD G. CHANEY
ELAINE M. O'NEAL
CRAIG B. BROWN
ANN E. MCKOWN
MARCIA H. MOREY

January 16, 2002

Honorable Ralph Campbell, Jr.
State Auditor
Office of the State Auditor
2 South Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699

Re: Audit Recommendations

Dear Mr. Campbell:

After receiving your recommendations with respect to the audit of the Durham County Clerk of Superior Court concerning magistrate cash collections, we are recommending the following corrective measures to ensure strict compliance with North Carolina General Statute 147-77.

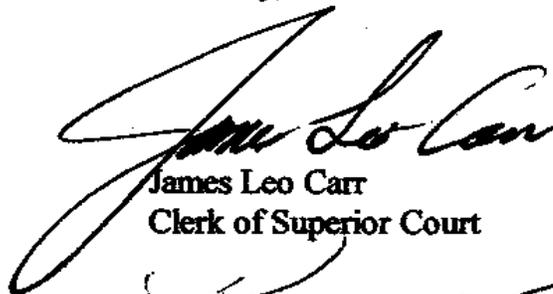
1. The Clerk of Superior Court, James Leo Carr, has secured from the bank locked bank bags for each magistrate. These bags will be assigned and distributed within the next two weeks.
2. A request is being made of the Sheriff of Durham County to provide a daily escort for a magistrate on duty to transport the bank bags to the Clerk's Office for deposit. A sign-out log will indicate the magistrate providing transportation and the assigned bank bags taken. The bank bags will be returned to the magistrates' safe and the log completed indicating the bags returned. Magistrates are being instructed to keep the safe secured at all times when not in use.

Honorable Ralph Campbell, Jr.
January 16, 2002
Page 2

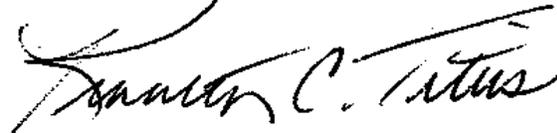
We hope these corrective measures are satisfactory and will prevent repetition of the audit deficiencies identified.

Thank you for your consideration in this matter.

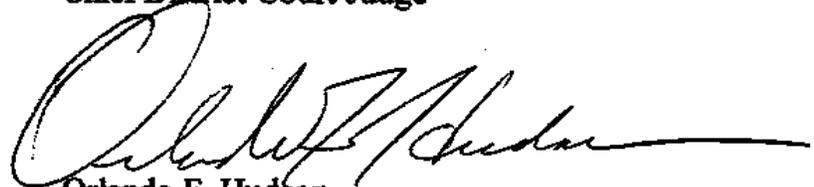
Sincerely,



James Leo Carr
Clerk of Superior Court



Kenneth C. Titus
Chief District Court Judge



Orlando F. Hudson
Senior Resident Superior Court Judge

/ssg