

STATE OF NORTH CAROLINA  
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP  
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>

January 3, 2007

Attorney General Roy Cooper  
North Carolina Department of Justice  
9001 Mail Service Center  
Raleigh, North Carolina 27699-9001

Dear Attorney General Cooper:

The Office of the State Auditor has implemented a strategic review initiative. This initiative is an effort to analyze state agency/university data on a proactive basis and help identify unusual trends and potential problems at state agencies and universities. We have completed a strategic review of the appropriate use of personal identifying information utilized by employees at the North Carolina Department of Justice. This review was a part of a comprehensive review of payroll records of all Central Payroll agencies. The results of our review, along with recommendations for corrective action, are contained in this management letter. The review was conducted pursuant to North Carolina General Statute §147-64.6(c)(16) rather than as a financial audit.

To conduct this strategic review, we performed the following procedures:

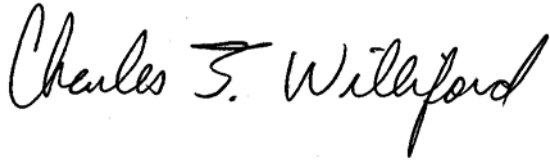
- Analyzed employee social security numbers (SSNs) for validity by comparing employee SSNs with the ranges of valid SSNs from the Social Security Administration;
- Compared employee SSNs from the payroll file to SSNs from the Social Security Administration's file of deceased individuals;
- For SSNs from the payroll file that matched numbers on the file of deceased individuals, we determined if the employees continued to be paid after their date of death;
- Interviewed appropriate agency payroll staff;

*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Management letters and responses receive the same distribution as audit reports.

Please contact me if you have any questions about these audit findings and recommendations. We express our sincere appreciation to you and your staff for the cooperation extended to us during our strategic review.

Sincerely,

LESLIE W. MERRITT, JR., CPA, CFP  
STATE AUDITOR

A handwritten signature in black ink that reads "Charles T. Williford". The signature is written in a cursive style with a large, stylized initial 'C'.

Charles T. Williford, CPA.CITP, CISA, CFE, CPM  
Director of Information Systems Audits

LMjr/CTW/TG:mfd

## AUDIT FINDINGS AND RECOMMENDATIONS

---

### ***AUDIT FINDING 1: OVERPAYMENT OF SPECIAL SEPARATION ALLOWANCE***

We matched social security numbers from the payroll file to the social security file of deceased persons. We identified one retired Justice Department employee's social security number that matched the SSA file of deceased individuals. This employee was receiving the Special Separation Allowance given to retired law enforcement officers.

General Statute §143-166.41 states that payment to a retired officer under the provisions of this section shall cease at the first of the death of the officer, the last day of the month when the officer attains 62 years of age, or the first day of re-employment by any State department, agency or institution. This provision does not apply to an officer returning to employment in a position exempt from the State Personnel Act.

The retired employee died on November 13, 2004, but continued to be paid the Special Separation Law Allowance for 20 months after his death. This employee was overpaid \$20,589.00.

*Recommendation:* The department should seek to recover the overpaid special separation allowance. The department should strengthen controls in order to prevent similar overpayments in the future.

*Auditor's Note:* Since the completion of our audit this overpayment has been repaid to the department.

*Auditee's Response:* As noted above, on October 20, 2006, the Department received full repayment. As of November 14, 2006, the Office of State Controller (OSC), Central Payroll Section will provide all agencies with a quarterly report from U.S. Social Security Administration (SSA) that will allow agencies to verify the accuracy of social security numbers including those of deceased employees. While access to this OSC/SSA information has not been provided to the Department before November 14, utilization of these reports will strengthen our internal controls to prevent future overpayments. We have also reviewed all other retired employees who are provided with special separation allowance payments and have found no other errors.