



# STATE OF NORTH CAROLINA

**MOORE COUNTY CLERK OF SUPERIOR COURT**

**FISCAL CONTROL AUDIT**

**CARTHAGE, NORTH CAROLINA**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

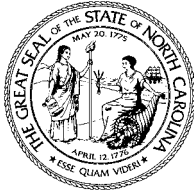
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**THE HONORABLE SUSAN A. HICKS**

**CLERK OF SUPERIOR COURT**



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State Auditor

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**AUDITOR'S TRANSMITTAL**

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September 22, 2011

The Honorable Beverly Eaves Perdue, Governor  
The General Assembly of North Carolina  
The Honorable Susan Hicks, Moore County Clerk of Superior Court

This report presents the results of our fiscal control audit at the Moore 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 objective of a fiscal control audit is to identify improvements needed in internal control over selected fiscal matters, such as financial accounting and reporting; compliance with finance-related laws and regulations; and/or management of financial resources.

The results of our audit disclosed deficiencies in internal control that are considered reportable under *Government Auditing Standards*. These items are 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 black ink that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

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# **OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS**

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## **OBJECTIVES, SCOPE, AND METHODOLOGY**

As authorized by Article 5A of Chapter 147 of the *North Carolina General Statutes*, we have conducted a fiscal control audit at the Moore 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 objective of a fiscal control audit is to identify improvements needed in internal control over selected fiscal matters, such as financial accounting and reporting; compliance with finance-related laws and regulations; and/or management of financial resources. Our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

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.

To accomplish our audit objectives, we gained an understanding of internal control over matters described below 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 may reveal significant deficiencies in internal control. 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 *Internal Control Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As discussed in the framework, 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 performance audit in accordance with generally accepted government auditing standards. 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.

## **OBJECTIVES, SCOPE, METHODOLOGY, AND RESULTS (CONCLUDED)**

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

*Cash* - This classification includes change funds and cash on deposit in private bank accounts. We examined internal controls designed to ensure that the Clerk properly safeguards and accounts for these assets. As of June 30, 2011, the Clerk had \$1,377,808 in cash.

*Investments* - This classification includes certificates of deposit and pooled investments. We examined internal controls designed to ensure that the Clerk properly safeguards and accounts for these assets. We also examined evidence to support compliance with finance-related laws and regulations over these assets. These laws and regulations set limits on authorized investments, set timing requirements for investing funds, provide for the Clerk to receive a fee for administering the investments and provide for allocation of interest to the beneficial owner or owners of the funds. As of June 30, 2011, the Clerk had \$1,095,445 in investments.

*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 controls designed to ensure that the Clerk properly safeguards and accounts for these funds. We also examined evidence to support compliance with finance-related laws and regulations. These laws and regulations set guidelines for the receipt, administration, and disbursement of these funds. As of June 30, 2011, the Clerk had \$1,131,553 in trust accounts.

### **RESULTS**

The results of our audit disclosed deficiencies in internal control and/or instances of noncompliance or other matters that are considered reportable under generally accepted government auditing standards. These items are described in the Audit Findings and Responses section of this report.

## AUDIT FINDINGS AND RESPONSES

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### 1. DEFICIENCIES IN SEGREGATION OF DUTIES

The Clerk's Office has given staff access rights to the information systems and assigned job functions that are incompatible with adequate segregation of duties and are not in compliance with the *Clerk of Superior Court Financial Policies and Procedures Manual*. As a result, errors or misappropriations could occur and not be detected in a timely manner.

One employee who serves as the head bookkeeper and seven employees who serve as cashiers had access rights within the Financial Management System (FMS) as well as update access within the Automated Criminal Infraction System (ACIS). Update capabilities to enter, change, or delete information increases the risk that criminal citations could be waived in ACIS resulting in unauthorized entries or possible misappropriation of assets.

In the *Clerk of Superior Court Financial Policies and Procedures Manual*, guidelines are established to maintain segregation of duties. Adequate segregation of duties involves assigning responsibilities for transactions such that the duties of one employee automatically provide a cross-check on the work of other employees. As noted in the manual, segregation of duties is important enough to be adopted whether efficiency or inefficiency is the consequence.

Subsequent to our audit the Clerk took steps to resolve this issue by terminating the access rights for one cashier and by modifying the access rights for the head bookkeeper and two of the cashiers to inquiry only status in ACIS.

*Recommendation:* The Clerk's Office should grant access rights to the information systems and assign duties in accordance with guidance contained in the *Clerk of Superior Court Financial Policies and Procedures Manual* or implement alternative compensating controls.

*Clerk's Response:* In July 2011, the following changes were faxed to Security Approval. In ACIS five clerks with clerk access were updated to inquiry only. The reason two cashiers have ACIS clerk access is because these employees are not only cashiers but are also criminal clerks. I do not have enough staff to segregate these duties and have cross training in place to cover the office during vacation and sick leave. We have office rules in the criminal division, if you receipt a payoff on a traffic offense you cannot dispose of the case in ACIS and if you prepare a criminal record check for a person you cannot receipt the payment. Although these rules do not put us in conformity with the policies and procedures manual, they do raise awareness of the risk within the office.

## AUDIT FINDINGS AND RESPONSES (CONCLUDED)

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### 2. DEFICIENCIES IN INTERNAL CONTROLS OVER BANK RECONCILIATIONS

Bank reconciliations were not performed in a timely manner. Reconciliations from January 2011 through April 2011 were performed on May 4, 2011 and the reconciliation for May 2011 was performed on July 12, 2011. Failure to complete monthly bank reconciliations increases risk that errors or misappropriation may occur and not be detected timely.

*The Clerk of Superior Court Financial Policies and Procedures Manual* states that the reconciliation should be performed monthly and in a timely manner. The reconciliation is considered timely if completed and finalized no later than the last day of the following month.

*Recommendation:* We recommend that bank reconciliations be performed monthly in accordance with guidance contained in the *Clerk of Superior Court Financial Policies and Procedures Manual*.

*Clerk's Response:* Having a person who does not have head bookkeeping, bookkeeping, cashier or head cashier access in FMS as recommended by the clerk's manual limits what clerks are available to reconcile bank statements. The statements were being reconciled in a timely manner until an unexpected staff shortage caused by an illness prevented the task from being completed. The bank reconciliations were caught up and have been completed as recommended. Being in accordance with *The Clerk of Superior Court Financial Policies and Procedures Manual* was attempted but this highly unusual situation could not be prevented. I have contacted *The Administrative Office of the Courts* to request that the centralized bank recon process be implemented for Moore County.



## **ORDERING INFORMATION**

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