



RESULTS OF THE 2020 INTERNAL CONTROLS AUDIT FOR INDIGENT DEFENSE SERVICES

PREPARED BY
NCAOC INTERNAL AUDIT
DECEMBER 31, 2020



TABLE OF CONTENTS

	Page
Engagement Overview	1
Overall Results	2
Internal Control Evaluations	3

About the North Carolina Judicial Branch

The mission of the North Carolina Judicial Branch is to protect and preserve the rights and liberties of all the people as guaranteed by the Constitutions and laws of the United States and North Carolina by providing a fair, independent and accessible forum for the just, timely and economical resolution of their legal affairs.

About the North Carolina Administrative Office of the Courts

The mission of the North Carolina Administrative Office of the Courts is to provide services to help North Carolina's unified court system operate more efficiently and effectively, taking into account each courthouse's diverse needs, caseloads, and available resources.

About the Internal Audit Program

The Internal Audit Program serves the Judicial Branch by authority of [G.S. § 7A-343\(3a\)](#) which provides the foundation for its existence along with its responsibilities. The mission of the Internal Audit Program is to provide independent, objective assurance and consulting activities that add value and improve the operations of the Judicial Branch. Our activities are conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.



ENGAGEMENT OVERVIEW

Objectives

The engagement was termed an internal controls audit, and the objectives were to add value and improve operations of Indigent Defense Services (IDS) by independently evaluating the effectiveness and efficiency of internal controls designed to mitigate and detect significant risks.

General Statute

This audit is not being conducted as a result of being high risk as determined by the 2020 Judicial Branch Risk Assessment, but rather to fulfill [G.S. § 7A-498.2\(d\)](#), which requires an annual audit by NCAOC.

Audit Procedures

To accomplish this objective, we gained an understanding of the relevant internal controls and performed audit procedures to test the internal controls' design and function. These audit procedures included interviewing employees, observing operations, analyzing data, and reviewing financial records and other documents.

Scope

Our audit scope covered the period July 1, 2019 through June 30, 2020, however, was expanded for certain audit procedures to include the most current processes, controls, and transactions.

Audit Standards

This engagement was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.



OVERALL RESULTS

Audit Opinion Defined

Due to our understanding of the organization’s risks and internal controls, the nature and extent of audit evidence gathered, the sufficient resources available to us, and our experience assessing similar organizations within the Judicial Branch, we feel we have the ability to express an audit opinion on the effectiveness and efficiency of internal controls. We also feel the need for an audit opinion exists, as it increases the value and clarity on the level of assurance given to our audit client.

This audit opinion is a limited assurance opinion, which means the possibility exists for significant issues to be present and go undetected by the audit process. For uniformity, we use the following tier grading system for our assessment of internal controls:

Internal Controls Grading System	
Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Major Improvement Needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.

Overall Audit Opinion – Effective



INTERNAL CONTROL EVALUATIONS

During the audit we tested many internal controls, including:

- Approval of attorney fee applications, including flagging those with certain characteristics to obtain multiple layers of approval
- Approval of time sheets to support hours spent by attorneys in capital cases or potentially capital cases
- Authorizations of judges to appoint attorneys to indigent defendants
- Authorizations of judges or IDS to use expert witnesses
- Authorizations of judges or IDS to use private investigators
- Compliance with the Travel Policy
- Balancing system in the North Carolina Accounting System (NCAS) to ensure attorney payments agree with attorney fee applications

All controls were evaluated as *Effective*.

Additional audit procedures were performed to determine if issues exist where no internal controls are present. One issue was noted and details are below:

Submission of fee applications by contracted attorneys: Out of 146 sampled contract attorney cases, in 22 cases (15%) there was no record of a recoupment form being received by the Clerk of Court, either because it was not submitted by the attorney or was not docketed and filed by the Clerk. Once submitted by an attorney, the recoupment form requires a signature by a judge and passage to the Clerk of Court for purposes of docketing a judgment and retaining in the case file. Monitoring this compliance is difficult and requires manual processes, however an automated control may be possible when the new Integrated Case Management System (ICMS) is utilized by Clerks of Court.

