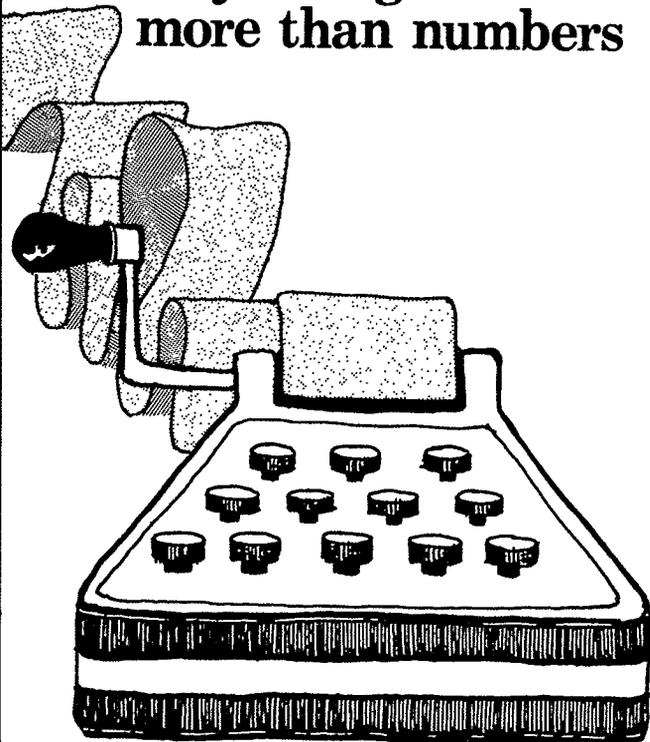


# AN OLD DOG'S NEW TRICKS

## Henry Bridges audits more than numbers



by Jessie Cannon  
and Tom Earnhardt

Every year millions of dollars are held by the clerks of court in this state from such sources as cash bonds, alimony and support, fines and forfeitures, judgments requiring money to be paid to the clerk of court, trust accounts and other sources. If the funds are handled properly and within the law, one might assume that the state Auditor's function would be satisfied. Not so, say Auditor Henry Bridges and Sam Newman, the director of the operational audit program in the Auditor's office.

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Newman and his staff found that the checking account balances of the 100 clerks' offices amount to almost \$14.7 million, but most of the money is held in non-interest-bearing accounts. If the money had been invested in interest-bearing accounts, the operational audit team found, it would have earned almost \$790,000 in interest in each of the last three years.

In a November, 1977, operational audit entitled "Investment of Available Funds Within the State's Court System," the Auditor's office identified all funds held by clerks of court in excess of normal requirements, estimated the amount of interest which could reasonably be earned by investment and suggested several procedures for investment while still providing the clerks with flexibility in management of the funds. The report included responses from several clerks of court, state Treasurer Harlan Boyles, Bert Montague of the Administrative Office of the Courts and an opinion by the office of the Attorney General.

The Auditor's office proposes to let the Treasurer's office act as the "bank" for the courts and allow clerks to administer their own funds and write checks against a Treasurer's account rather than a private bank. This system would allow the Treasurer—who is agreeable to the idea—to invest the surplus and earn \$790,000 annually for the state.

The Attorney General's opinion, which included citations to several cases, says that the Treasurer's office could be used but that any interest would have to be distributed to persons entitled to the principal. The Administrative Office of the Courts and several clerks also expressed concern at the loss of income but disagreed with the report on legal grounds for the same reasons set forth by the Attorney General's office.

To these problems the Auditor's office responded in the audit: "We also recognize that questions over legality will apparently preclude any voluntary action by the court system. Therefore, the loss of interest income will continue indefinitely, with neither the 'owners' of these funds nor the citizens of the state receiving any return. This report, thus, is presented. . . in the hope that some workable solution may be found to this problem."

Regardless of which side of the legal question one falls on, the report leaves the reader with one inescapable conclusion—investment income is being lost, and nothing is being done to prevent it.

To learn about this new approach to government accountability, the Center talked to Bridges, the state's Auditor for 31 years; Bridges' deputy John Buchan and Newman, the program director. But Bridges probably summed up his work best in an appearance before the legislature's Joint Appropriations Committee in February, 1977. The primary goal of the program, he said, "is to determine the cost and resulting benefits of particular state government programs and activities. We try to provide factual, independent information and professional

common-sense observations that will allow legislators, state agencies and taxpayers to determine the effectiveness of specific programs or activities."

The operational audit program was authorized on April 30, 1974, by an act of the legislature requested by Bridges. Bridges said it was an idea that "I had kicked around for years but felt I had no specific authority."

Report topics and issues are often submitted to Newman and his staff by financial auditors who are in a good position to spot problems when conducting their annual audits of state agencies. State agency heads, legislators and even private citizens are encouraged to submit ideas. Newman said that to date no request has been received from the executive branch of state government.

After proposals are received they are reviewed by Buchan and Bridges before the staff is authorized to proceed. When asked if projects were ever rejected for political considerations, Bridges insisted that he calls "a spade a spade, and politics is not a consideration."

Newman believes that the Auditor's office is the ideal place for the program because of the office's independence and general lack of political activity. "The executive branch does not have the independence found in this office," he said.

There are now six full-time staff members in operational audits. Nearly all of them started with financial audits, although one came from the systems section of the office.

Both Newman and Buchan agree that the staff may need people from other disciplines (engineering, social services, management consulting, for example) to be more effective. Until now the emphasis of operational audits has been financial---saving money. But Newman says that the scope has been broadened with each report.

The 17 reports completed to date cover a variety of topics. Titles include: "A Study of Cost Variance in the Driver Training Education Program of North Carolina," "Reduced Tuition Rates for Special Non-Resident Students," "Law Enforcement Training Facilities," "State Funds to Local School Units," and "Public Information Related Activities in North Carolina State Government."

All reports follow essentially the same format. After the topic is chosen, staff members are sent out to get legal background and talk with top management. Findings are compiled from interviews and collected work papers. For each topic the writer analyzes the law, the cause of the problem, the effect---losing money, for example---and finally makes the recommendation. Newman then reads the final draft, edits it and passes it on to Buchan and Bridges for final review before it is released.

The Auditor's office does not have enforcement power. Newman says that if anything illegal is found it would go to the Attorney General. Neither Bridges, Buchan

nor Newman want the power to enforce. It is Bridges' philosophy that top management should ultimately be responsible for changes. "It is not our style to force management or to stick it down their throats," Newman said. Buchan says he feels that the Advisory Budget Commission should follow up on the reports.

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The reports are sent to legislators who request them, the Advisory Budget Commission, the Governor, the agency that was audited and people in the news media who have been asked to be put on the mailing list. Although Newman acknowledges that the distribution is limited, he says the reports are available to anyone who is interested in them.

The objective of the reports is, of course, to get results. Newman says that after the audited agency has had time to review the reports, an "exit conference" is held with agency heads. He says that the "positive approach" of the audit staff is usually well received by agency heads. Hostile receptions to suggestions have been rare.

"Management letters," which are not part of the report, are also sent to the agency. All pertinent and important information is contained in the report itself, Newman said. A future report will deal with workman's compensation, and when it is completed one operational audit report will be issued but 12 different management letters will also be sent to affected offices and agencies. Such letters are often more frank and detailed than the reports and speak more specifically to the problems of an agency, according to Newman. He said that to the best of his knowledge, other officials and reporters have been permitted to see management letters after such requests have been reviewed by Bridges or Buchan.

It can be argued that since the Auditor's office has no enforcement powers it should take a tougher approach in seeking improvements in agencies by making the management letters part of the operational audit reports. As Sam Newman explained, however, the strong arm, high-visibility approach simply is not Henry Bridges' style. ■