

# STATE OF NORTH CAROLINA

**ALEXANDER COUNTY CLERK OF SUPERIOR COURT**

**TAYLORSVILLE, NORTH CAROLINA**

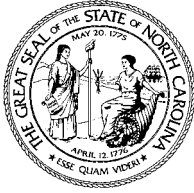
**FINANCIAL RELATED AUDIT**

**SEPTEMBER 2014**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**



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**AUDITOR'S TRANSMITTAL**

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September 16, 2014

The Honorable Pat McCrory, Governor  
The General Assembly of North Carolina  
The Honorable Danny T. Dyson, Alexander County Clerk of Superior Court

This report presents the results of our financial related audit at the Alexander 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 results of our audit identified a deficiency in internal control and/or instance of noncompliance that is considered reportable under *Government Auditing Standards*. This item is described in the *Audit Findings, Recommendations, 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 cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

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## BACKGROUND

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As authorized by Article 5A of Chapter 147 of the *North Carolina General Statutes*, we have conducted a financial related audit at the Alexander 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 voters of each county elect a Clerk of Superior Court for a four-year term. Clerks are responsible for all clerical and record-keeping functions of the superior court and district court. The Clerks' Offices collect, invest, and distribute assets in a fiduciary capacity. For example, the Clerks' Offices collect fines and court costs, hold cash and property bonds, administer estates on behalf of minors, and distribute resources to governmental and private parties as required.

The North Carolina Administrative Office of the Courts (NCAOC) provides statewide support services for the courts, including court programs and management services; information technology; human resources services; financial, legal, and legislative support; and purchasing services. In addition, the NCAOC prepares and administers the court system's budget.

## AUDIT OBJECTIVES AND SCOPE

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The general objective of this financial related audit was to identify improvements needed in internal control over selected fiscal matters. 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. Errors or fraud may nevertheless occur and not be detected because of the inherent limitations of internal control. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or that compliance with policies and procedures may deteriorate. Our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

Our audit scope covered the period July 1, 2013 through February 28, 2014. During our audit, we considered internal control related to the following objectives:

*Escheats* – The Clerk’s Office transfers abandoned property to the State. The transfer results when the person legally entitled to the property fails to make a valid claim on the property within a prescribed period of time. After that time, all abandoned property held by the Clerk is required to be transferred to the North Carolina Department of State Treasurer. We examined internal control designed to ensure that the Clerk properly identifies escheatable funds. We also examined internal control designed to ensure compliance with laws and regulations related to escheating unclaimed funds after a prescribed period of time. During the audit period, the Clerk transferred \$2,881.79 to the State Treasurer.

*Estates* – The Clerk’s Office ensures all estates are charged an application fee plus an assessment based on the value of the estate’s inventory. An estate inventory is to be filed by the representative of the estate. We examined internal control designed to ensure that the Clerk properly obtains an inventory for each estate in compliance with laws and regulations. We also examined internal control designed to ensure compliance with laws and regulations related to the appropriate assessment and collection of estate fees. During the audit period, the Clerk collected \$32,459.29 in estate fees.

*Infractions* – The Clerk’s Office is responsible for collecting traffic infraction costs and fines. We examined internal control over the disposition of traffic infractions to ensure that all disposed cases were supported by a receipt of fees or properly authorized court document in compliance with record-keeping laws and regulations. During the audit period, the Clerk collected \$204,356.00 in traffic infraction related costs.

## METHODOLOGY

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To accomplish the audit objectives, auditors gained an understanding of the Clerk's internal control over matters described in the *Audit Objectives and Scope* section of this report and evaluated the design of the internal control. Auditors then performed further audit procedures consisting of tests of control effectiveness and/or substantive procedures that provide evidence about our audit objectives. Specifically, auditors interviewed personnel, observed operations, reviewed policies, analyzed accounting records, and examined documentation supporting recorded transactions and balances, as considered necessary in the circumstances. 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, auditors applied the internal control guidance contained in professional auditing standards. As discussed in the standards, internal control consists of five interrelated components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

We conducted this audit in accordance with generally accepted government auditing standards applicable to performance audits. 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.

## RESULTS AND CONCLUSIONS

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Based on the results of audit procedures described in the *Methodology* section of this report, auditors identified a deficiency in internal control and/or instance of noncompliance that is considered reportable under *Government Auditing Standards*. This item is described in the *Audit Findings, Recommendations, and Responses* section of this report. Management's response is presented after the audit finding. We did not audit the response, and accordingly, we express no opinion on it.

## **AUDIT FINDINGS, RECOMMENDATIONS, AND RESPONSES**

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### UNTIMELY COMPELLING OF ESTATE INVENTORIES

The Clerk's Office did not compel the timely filing of estate inventories in accordance with state law, resulting in a loss or delay in the collection of court costs and fees.

Auditors examined 113 estates in the audit period that required an inventory to be filed. Auditors identified 18 estates that the Clerk did not compel timely inventory filings, resulting in a 16% error rate. The Clerk's orders requiring the inventory filings were issued 61 to 156 days late for these estates.

*North Carolina General Statute 28A-20 and the North Carolina Clerk of Superior Court Procedures Manual, Chapter 74, require the filing of an estate inventory within three months after the Clerk's appointment of the estate's personal representative. If an inventory is not filed, the Clerk must issue an order requiring the personal representative to file the inventory or give reason why the personal representative should not be replaced.*

*Recommendation:* The Clerk's Office should strengthen internal control over estates to ensure appropriate action is taken to compel the timely filing of estate inventories in accordance with state law and the North Carolina Clerk of Superior Court Procedures Manual.

*Clerk's Response:* I do understand that the law requires an estate inventory within three months after the Clerk's appointment of the estate's representative and although some estate inventory filings were not compelled in a timely manner, I do not find that there is/was any loss in the collection of court cost and fees for these matters. I have reviewed the 18 estates that were not compelled in a timely manner and found that 17 of them did at some point have inventories filed. The only one not is an executor who is the sole heir of only a piece of real estate and she is recovering from surgery. Also, of the 18 estates in question, 10 of them have been closed and \$9802.90 in cost and fees have been collected. I do agree that there would have been a small delay in the collection of the cost and fees. As for the 8 other open estates, cost and fees will be collected at closing.

I had used excel to create our own in-house tracking system in order to help monitor when an estate inventory is due. On September 12, I met with my Assistant Clerk that issues the notices and orders for these filings and stressed to her the requirement and need for our office to issue compelling documents and collect costs and fees in a timely manner. While on the Technology Committee, we discussed asking NCAOC (North Carolina Administrative Office of the Courts) to create a system that will automatically print Notices to File, Orders to File and Show Causes based on the date of qualification entered in VCAP (Civil Case Processing System) for estate matters. I hope the current committee pursues this.



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## ORDERING INFORMATION

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