

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



## CARTERET COUNTY CLERK OF SUPERIOR COURT

BEAUFORT, NORTH CAROLINA

FINANCIAL RELATED AUDIT

JUNE 2017



**NCOSA**  
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0600  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
<http://www.ncauditor.net>

## AUDITOR'S TRANSMITTAL

---

June 29, 2017

The Honorable Roy Cooper, Governor  
The General Assembly of North Carolina  
The Honorable Pamela Hanson, Carteret County Clerk of Superior Court

This report presents the results of our financial related audit at Carteret 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 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 black ink that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor



**Beth A. Wood, CPA  
State Auditor**

# TABLE OF CONTENTS

---

	PAGE
BACKGROUND .....	1
AUDIT OBJECTIVES AND SCOPE.....	2
METHODOLOGY .....	3
RESULTS AND CONCLUSIONS .....	4
AUDIT FINDINGS, RECOMMENDATIONS, AND RESPONSES .....	5
APPENDIX	
CLERK’S RESPONSE .....	6
ORDERING INFORMATION .....	8

As authorized by Article 5A of Chapter 147 of the *North Carolina General Statutes*, we have conducted a financial related audit at Carteret 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.

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, 2016 through February 28, 2017. During our audit, we considered internal control related to the following objectives:

*Cash* – The Clerk’s Office collects various fines, fees, and court costs daily, as well as collections for bonds, judgments, and other matters. We examined internal controls designed to ensure that the Clerk properly safeguards and accounts for cash receipts. We also examined internal controls designed to ensure compliance with laws and regulations related to depositing cash receipts. During the audit period, the Clerk collected \$7,592,955 in cash.

*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 controls designed to ensure that the Clerk properly obtains an inventory for each estate in compliance with laws and regulations. We also examined internal controls 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 \$154,880 in estate fees.

*Bond Forfeitures* – The Clerk’s Office ensures that all motions or orders to set aside bond forfeitures meet specified criteria and are supported by required documentation. We examined internal controls designed to ensure compliance with laws and regulations related to the processing of these bond forfeitures. During the audit period, \$1,156,623 in bond forfeitures were set aside.

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 as applicable but not quantify the sampling risk. This approach was determined to adequately support audit conclusions.

As a basis for evaluating internal control, we 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.

Based on the results of audit procedures described in the *Methodology* section of this report, auditors identified a deficiency in internal control and 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.

---

**UNTIMELY OR FAILURE TO COMPEL ESTATE INVENTORY FILINGS OR FEE COLLECTION**

---

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

Auditors examined 65 of 97 estates in the audit period that required an inventory to be filed. Eighteen (28%) estates were not compelled or not compelled timely. Specifically,

- For 12 (18%) estates, the Clerk's written requests requiring inventory filings were issued 34 to 95 days after the three-month inventory deadline.
- For 6 (10%) estates, the Clerk failed to issue written requests requiring inventory filings.

Additionally, fees totaling \$10,896 for 18 estates were not collected at the time of the inventory filing, nor was there evidence in the file to support fee collection attempts and/or reasons for collection delays.

In addition to the delays and potential loss in fee collections, the Clerk's failure to compel the timely filing of inventories could result in unauthorized transactions from the estate including, but not limited to, the removal of assets without the knowledge of qualified heirs. It could also delay the family of the deceased from finalizing the estate.

According to the Clerk, there were three reasons why estates were not compelled or fees collected.

1. The staff dealing with the compelling of estates is relatively new to their positions.
2. The Clerk's Office was understaffed and overwhelmed with the work load.
3. The Civil Case Processing System (VCAP) Calendar was only reviewed once a month to identify the cases that would require an inventory to be filed.

*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 send a written request requiring the personal representative to file the inventory or explain why the personal representative should not be replaced. Additionally, *North Carolina General Statute 7A-307(a)(2)* requires the Clerk to assess and collect the estate fees at the time the inventory is filed.

*Recommendation:* The Clerk should follow state law and the *North Carolina Clerk of Superior Court Procedures Manual* to ensure appropriate action is taken to compel the timely filing of estate inventories. Additionally, the Clerk should conduct a more timely review of the tracking reports, as well as document collection attempts at the time of the inventory filing.

*Clerk's Response:* See page 6 for the Clerk's response to this finding.



## Clerk's Response



*State of North Carolina*  
*General Court of Justice*  
**CLERK OF SUPERIOR COURT**

CARTERET COUNTY  
300 COURTHOUSE SQUARE  
BEAUFORT, NC 28516  
(252) 504-4400  
FAX: (252) 504-4401

PAMELA A. HANSON, CLERK  
EX OFFICIO JUDGE OF PROBATE

BENJAMIN G. ALFORD  
SENIOR RESIDENT SUPERIOR COURT JUDGE

L. WALTER MILLS  
CHIEF DISTRICT COURT JUDGE

**UNTIMELY OR FAILURE TO COMPEL ESTATE INVENTORY FILINGS OR FEE COLLECTION**

**OSA Recommendations**

The Clerk should follow state law and the *North Carolina Clerk of Superior Court Procedures Manual* to ensure appropriate action is taken to compel the timely filing of estate inventories. Additionally, the Clerk should conduct a more timely review of the tracking reports, as well as document collection attempts at the time of the inventory filing.

**Agency Response**

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

Auditors found that 18 of 65 (28%) estates in the audit period that required an inventory to be filed were not compelled or were not compelled timely. The Clerk's written requests requiring the inventory filings were issued 34 to 95 days after the three-month inventory deadline for twenty estates. Additionally, the Clerk failed to issue written requests requiring inventory filings for 6 estates.

We concur with the auditor's assessment of inventory notices. The estates division during the time of audit was comprised of two people with less than 2 years in office due to retirements. The volume of work in that office has increased over the years. Due to this we added a third position (another new person) in October 2016. On-site training, and training away is ongoing to help staff learn the responsibilities and timelines we are held accountable for. Aggressive review of reports on a weekly basis is mandatory. Notices are now mailed timely. We are also requiring the public and attorneys to provide written requests for extensions of time if delays in processing are necessary.

**Auditors also found 18 out of 65 (28%) estates in the audit period in which fees of \$10,895.69 were not collected when the inventory was filed.**

Our office strives to handle estates in an efficient manner and to comply with statutory requirements and AOC Practices. The practice of the Clerk has always been NOT to refuse a filing if costs are not in hand, and is guided by the Rules of Recordkeeping as promulgated by the NCAOC.

Said Rules state, "The clerk should NOT refuse to accept any filing not accompanied by all appropriate fees. The clerk should notify the filer or the filer's attorney and the court of any costs that are due. The clerk should note that costs are due in the court's file."

Procedures are actively in place to collect all estate fees prior to the discharge of a representative. Once this was brought to our attention by the auditors, immediate action was taken to have fees paid. The estate clerks will always collect any and all fees at the time of filing inventories and final accounts or document collection attempts. To date \$10,895.69 of outstanding fees have been collected.

The Conference of Clerks of Superior Court points out that Clerks should have judicial discretion when there is tension between the duty to collect fees in N.C.G.S. §7A-307(2) and the duty to review and assess costs in N.C.G.S. § 28A-20-1. A thorough review of an inventory prior to collecting fees makes good sense and will help ensure that the correct amount of fees are assessed. In the event the inventory is wrong and not scrutinized before payment, the amount of the fees will be wrong. Allowing time for the Clerk to review the inventory before collecting the fee will promote the accuracy of the fee and better efficiency overall.

Finally, we would like to thank the Office of State Auditor for our review and the opportunity to fine tune our services to the citizens of Carteret County. We truly appreciate any opportunity to improve our skills in service.

*Paul A. Hanson*  
Carteret CSC  
5-25-17

# ORDERING INFORMATION

---

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0600

Telephone: 919-807-7500  
Facsimile: 919-807-7647  
Internet: <http://www.ncauditor.net>

To report alleged incidents of fraud, waste or abuse in state government contact the  
Office of the State Auditor Fraud Hotline: **1-800-730-8477**  
or download our free app.



<https://play.google.com/store/apps/details?id=net.ncauditor.ncauditor>



<https://itunes.apple.com/us/app/nc-state-auditor-hotline/id567315745>

For additional information contact:  
Tim Hoegemeyer  
General Counsel  
**919-807-7670**

