

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



## WILKES COUNTY CLERK OF SUPERIOR COURT

WILKESBORO, NORTH CAROLINA

FINANCIAL RELATED AUDIT

JUNE 2017



**NCOSA**  
The Taxpayers' Watchdog

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



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## AUDITOR'S TRANSMITTAL

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June 13, 2017

The Honorable Roy Cooper, Governor  
The General Assembly of North Carolina  
The Honorable Janet D. Handy, Wilkes County Clerk of Superior Court

This report presents the results of our financial related audit at Wilkes 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, reading "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor



Beth A. Wood, CPA  
State Auditor

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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 Wilkes 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 \$5,876,312 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 \$105,455 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, \$346,237 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.

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**FAILURE TO COLLECT ESTATE INVENTORY FEES**

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The Clerk's Office did not calculate, assess, and 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 all 54 estates in the audit period that required an inventory to be filed and found 27 (50%) estates where the estate costs and fees of \$12,230 were not collected when the inventory was filed. Fifteen (56%) of the 27 estates' fees were not calculated and assessed at the time the inventory was filed. Additionally, there was no evidence in the files to support fee collection attempts and/or reasons for collection delays.

According to the Clerk, her Office was not aware of the requirement that the fees were to be calculated and collected at the time the inventory was filed and was only collecting the fees at the time of the final account for the estate.

*North Carolina General Statute 7A-307(a)(2)* requires the Clerk's Office to calculate, assess, and collect the estate fees at the time the inventory is filed.

*Recommendation:* The Clerk's Office should follow state law to ensure appropriate action is taken to calculate, assess, and collect estate costs and fees each time an inventory is filed. In addition, the Clerk's Office should maintain documentation in the file to support fee collection attempts from the personal representative at the time of the inventory filing.

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



CLERK'S RESPONSE



JANET D. HANDY,  
CLERK OF SUPERIOR COURT

State of North Carolina  
General Court of Justice  
WILKES COUNTY  
500 COURTHOUSE DRIVE SUITE 1115  
WILKESBORO, NC 28697  
(336) 651-4400

MICHAEL D. DUNCAN,  
SUPERIOR COURT JUDGE

Attn: Beth A. Wood, State Auditor

May 22, 2017

**Finding:** Failure to Collect Estate Inventory Fees

**Recommendation:** The Clerk's Office should follow state law to ensure appropriate action is taken to calculate, assess, and collect estate costs and fees each time an inventory is filed. In addition, the Clerk's Office should maintain documentation in the file to support fee collection attempts from the personal representative at the time of the inventory filing.

**Wilkes County Clerk of Court Response:**

The Wilkes County Clerk of Court agrees with the finding and recommendations given by the OSA.

The Estate Department was unaware of the requirement that the fees were to be calculated and collected at the time the inventory was filed. However, the Estates Department has always collected the fees before filing the final accounting.

Corrective action was taken immediately upon this being brought to the Clerk's attention. Regina Billings, Assistant Clerk corrected this error by sending invoices out on March 21, 2017 to all pending files owing cost. Currently, cost are being calculated and collected upon filing of the ninety day inventory in all cases.

Janet D. Handy,  
Wilkes County Clerk of Superior Court

# ORDERING INFORMATION

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