

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

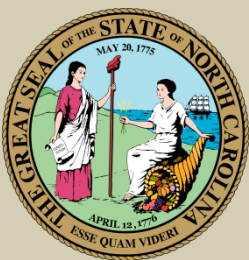


GRANVILLE COUNTY CLERK OF SUPERIOR COURT

OXFORD, NORTH CAROLINA

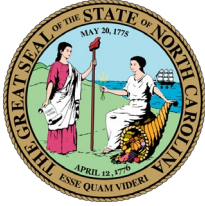
PERFORMANCE AUDIT

JULY 2022



NC OSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
The Honorable J. Yancey Washington, Granville County Clerk of Superior Court

Ladies and Gentlemen:

We are pleased to submit this performance audit report for the Granville County Clerk of Superior Court. The audit objective was to identify improvements needed in internal control over selected financial matters, as listed on pages 2-3.

This audit was conducted in accordance with Chapter 147, Article 5A of the North Carolina General Statutes.

The results of our audit identified a deficiency in internal control and an instance of noncompliance that is considered reportable under *Government Auditing Standards*. This item is described in the FINDING, RECOMMENDATION, AND RESPONSE section of this report.

We appreciate the courtesy and cooperation received from management and the employees of the Granville County Clerk of Superior Court during our audit.

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".

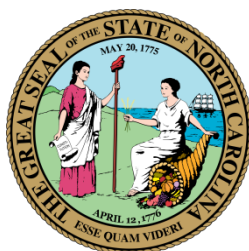
Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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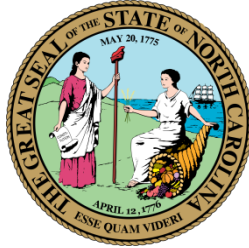


BACKGROUND

We have conducted a performance audit of the Granville County Clerk of Superior Court, as authorized by Chapter 147, Article 5A of the North Carolina General Statutes, which requires the Office of the State Auditor to periodically examine and report on the financial practices of state agencies.

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.



OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this performance audit was to identify improvements needed in internal control over selected financial 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 scope covered the period July 2021 through February 2022. In conducting our audit, we observed, documented, and evaluated the effectiveness of selected internal controls related to:

- *Cash* – The Clerk’s office collects various fines, fees, and court costs daily, as well as bonds, judgments, and other amounts. We examined internal controls to determine whether such controls were designed and implemented to ensure that the Clerk properly safeguarded and accounted 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 \$3,791,273 in cash.
- *Estates* – The Clerk’s office is to ensure that all estates are charged an application fee plus an assessment based on the value of each estate’s inventory. An estate inventory is to be filed by the representative of the estate. We examined internal controls to determine whether such controls were designed and implemented to ensure that the Clerk properly obtained 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 \$72,650 in estate fees related to estates.

The Clerk’s office is to ensure that all estate guardians¹ are properly bonded based on the value of each annual estate inventory. An annual estate inventory is to be filed by the estate guardian of a minor or incapacitated adult. We examined internal controls designed to ensure that the Clerk properly obtained an inventory for each guardianship in compliance with laws and regulations. We also examined internal controls to determine whether such controls were designed and implemented to ensure that bonds assessed and collected were sufficient and in compliance with laws and regulations. During the audit period, auditors examined \$1,986,372 in estate guardian bonds retained by the Clerk related to 29 estates.

- *Escheats* – The Clerk’s office is to transfer 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 controls to determine whether such controls were designed and implemented to ensure that the Clerk properly identified escheatable funds. We also examined internal controls designed to ensure compliance with laws and regulations related to escheating unclaimed funds after a

¹ Guardianship is a legal relationship in which a person(s) or agency (the guardian) is appointed by the court to make decisions and act on behalf of a minor or incapacitated adult.

prescribed period of time. During the audit period, the Clerk transferred \$29,296 in escheats to the Department of State Treasurer.

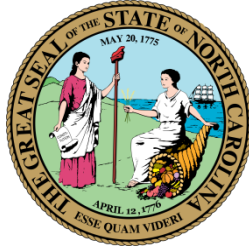
- *Trusts* – The Clerk’s office receives, administers, and disburses trust funds for minors and incapacitated adults. We examined internal controls to determine whether such controls were designed and implemented to ensure that disbursements from minor and incapacitated adult trust accounts were proper to ensure compliance with laws and regulations. During the audit period, the Clerk disbursed \$66,481 from minor and incapacitated adult trust accounts.

To accomplish the audit objective, auditors gained an understanding of the Clerk’s internal control over matters and evaluated the design of 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 our audit conclusions.

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all deficiencies in internal control or instances of noncompliance.

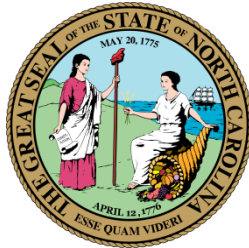
As a basis for evaluating internal control, we applied the internal control guidance contained in professional auditing standards. However, our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion. See the Appendix for internal control components and underlying principles that were significant to our audit objectives.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. 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

Based on the results of audit procedures described in the OBJECTIVES, SCOPE, AND METHODOLOGY section of this report, auditors identified a deficiency in internal control and an instance of noncompliance that is considered reportable under *Government Auditing Standards*. This item is described in the FINDING, RECOMMENDATION, AND RESPONSE 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.



FINDING, RECOMMENDATION, AND RESPONSE

FAILURE TO COMPEL ESTATE INVENTORY FILINGS

The Clerk's office did not compel the filing of estate inventories in accordance with state law.

Auditors examined all 57 estates in the audit period that required an inventory to be filed. For three (5%) estates, the inventories were not filed timely and the Clerk failed to issue written requests requiring the inventory filings.

Auditors also examined all 29 guardianship estates for wards in the audit period that required an inventory of the ward's assets to be filed. For five (17%) of the guardianship estates, the inventories were not filed timely and the Clerk failed to issue written requests requiring the inventory filings.

Failure to compel the filing of inventories results in:

- Unauthorized transactions from the estate including, but not limited to, the removal of estate assets without the knowledge of qualified heirs. It could also delay the family of the deceased from finalizing the estate.
- The Clerk's inability to assess and collect sufficient² bonds from guardians. Insufficient bonds could result in financial loss to the ward if the guardian misuses the assets in the estate. Additionally, the Clerk may be liable³ for the financial loss if bonds are not sufficient.

According to the Clerk, the Clerk's office prioritized other duties over reviewing the inventory reports for filing deadlines due to turnover of staff overseeing the compelling of estates. Additionally, monitoring procedures were not in place to ensure inventories were compelled when necessary.

North Carolina General Statutes⁴ and the *North Carolina Clerk of Superior Court Procedures Manual*⁵ 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 compel the inventory by issuing written requests requiring the personal representative to file the inventory or explain why the personal representative should not be replaced.
- The filing of an estate inventory of the ward's property within three months after the Clerk's appointment of the guardian as well as an annual filing of an inventory of the ward's personal property. If an inventory is not filed, the Clerk must compel the inventory by issuing written requests requiring the guardian to file the inventory.

² North Carolina General Statutes 35A-1230 and 35A-1231 require bonds for estate guardians to equal 125% of the ward's personal property (if less than or equal to \$100,000) or 110% of personal property (if greater than \$100,000). Per the *North Carolina Clerk of Superior Court Procedures Manual*, Chapter 86, bond amounts should be reviewed upon the filing of annual inventories to ensure they remain sufficient.

³ Chapter 35A, Article 7 of the North Carolina General Statutes.

⁴ Chapter 28A, Article 20 and Chapter 35A, Article 10 of the North Carolina General Statutes.

⁵ Chapter 74.

Recommendation: The Clerk should develop contingency plans to ensure inventory reports are reviewed during periods of staff turnover.

In addition, the Clerk should implement monitoring procedures to ensure estates are compelled to file inventories.

Clerk's Response: See page 7 for the Clerk's response to this finding.



J. YANCEY WASHINGTON
CLERK OF SUPERIOR COURT
EX OFFICIO JUDGE OF PROBATE

JUDICIAL DISTRICT 9
GRANVILLE COUNTY

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July 6, 2022

Beth A. Wood
North Carolina State Auditor
20601 Mail Service Center
Raleigh, NC 27699-0600

Re: Response to the 2022 State Audit of the
Granville County Clerk of Superior Court's Office

Dear Ms. Wood:

I am in receipt of the letter from the State Auditor's Office following the 2022 Audit of the Granville County Clerk's Office ("the Audit"). As a result of the Audit, I understand the Granville County Clerk's Office will have one audit finding for failure to compel estate inventory filings. I understand and agree with this audit finding, and I am pleased to have this opportunity to provide a response and offer some context for this finding within the overall operations of the clerk's office during the audit period. Below I cite and elaborate on two (2) factors that I believe contributed to the audit finding:

I. Unprecedented Staff Turnover During the Audit Period

The period covered by this audit was July 1, 2021, through February 8, 2022 ("the Audit Period"). Based upon a state-wide workload formula, the Granville County Clerk's Office is allocated a permanent staff of fifteen (15) clerks. During the Audit Period, we lost over thirty-three percent (33%) of this staff. We had two (2) retirements. Three (3) staff members left to take other jobs, all of which I understand offered an increase in salary and the ability to work, at least in part, from home. As a result of the staff turnover during the Audit Period, we had to prioritize the work to be done. Clerks of Superior Court in North Carolina serve as the judge of probate in their respective counties, comptroller and record keeper for the Trial Division of the General Court of Justice in each county as well serve as administrator and manager. In sum, the Granville County Clerk's Office is a busy place. Though the Administrative Office of the Courts (AOC) and the School of Government offer great training courses, new clerks learn best how to do the work of the clerk's office on the job, and it takes a good amount of time for a clerk to become well-trained and cross-trained so as to be able to carry out multiple aspects of the work in the office.



Beth A. Wood
North Carolina State Auditor
July 6, 2022
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In spite of the unprecedented staff turnover the Granville County Clerk's Office experienced during the audit period, which coincided with an incredibly tight job market, the Granville County Clerk's Office remains full of capable, long-tenured clerks. As of May 2022, the average tenure for a clerk in the Granville County Clerk's office was 14.6 years. It is the hard work of these clerks that otherwise kept the courts in Granville County on track during COVID and its echo effect in spite of losing almost one third (1/3) of our staff.

II. The Need of Enhanced Facilities: A Need Being Met During the Audit

Citing the many facets of the clerk's role, Clerks of Superior Court in North Carolina have long described themselves as "the hub of the wheel" for the General Court of Justice in their counties. Upon my first assuming the role of Clerk of Superior Court in Granville County, I was told by both the Superior Court Judges from our district that of the counties in our district, Granville County had by far the smallest amount of square footage in relation to the number of clerks in the office. The keystone over the front door to our courthouse bears the inscription "July 4, 1838," and following the initial construction, court was first held in our present courthouse early in 1840. I take great pride in our old courthouse, and hope that court will continue to be held in this facility for many years to come. However, I also have continuously worked with the county to improve the function of our office. To that end, a few weeks before this audit, Granville County began construction for the purpose of adding an additional private office within our clerk's office. Before this work, we only had two (2) private offices: my office and a private office for one assistant clerk. The Granville County Clerk's office is comprised of four (4) assistant clerks and eleven (11) deputy clerks. By contrast Vance County, one county to the east, with only a slightly larger staff has four (4) private offices within the Vance County Clerk's Office. Winston Churchill once said, "We shape our buildings, and afterwards our buildings shape us." It is far from ideal to meet with grieving family members to open a decedent's estate across the front, main counter of our office within earshot of the general public and amid noise that often accompanies the busiest spot in our active workspace.

Additionally, my predecessors and I have had the Granville County Clerk's Office structured so that the assistant clerk in charge of compelling estate inventories occupies the only other private office within the Granville County Clerk's Office. This physical set up has in the past often put us in the position of having to choose between (1) timely assisting members of the public who need that valuable space within the Granville County Clerk's office to meet with a clerk about an estate or special proceeding or (2) using that same space for the case management task of compelling inventories. With the completion of the construction and the creation of an additional private office, we have added a much needed third semi-private space for clerks to meet with citizens regarding estates and special proceeding. I am confident this renovation will help the clerks in Granville County do a better job of accomplishing the work of our office, and, to borrow Winston Churchill, phrasing "shape us" to accomplish the task had hand.





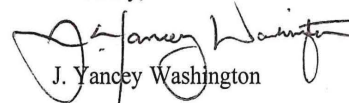
Beth A. Wood
North Carolina State Auditor
July 6, 2022
Page 3 of 3

Attached as "Attachment A" to this response are "during" and "after" photos of the construction work in the Granville County Clerk's Office. While this work was projected to take three (3) weeks, it took thirteen (13), and the most difficult portion of the work was going on during the on-site audit work of the state auditors in the Granville County Clerk's Office.

As to remedial measures, I, as the Clerk of Superior Court, or another Assistant Clerk will begin signing off on the bi-monthly report of inventories due to ensure that the report is being properly worked.

I thank you for you the time and work of your staff.

Sincerely,


J. Yancey Washington

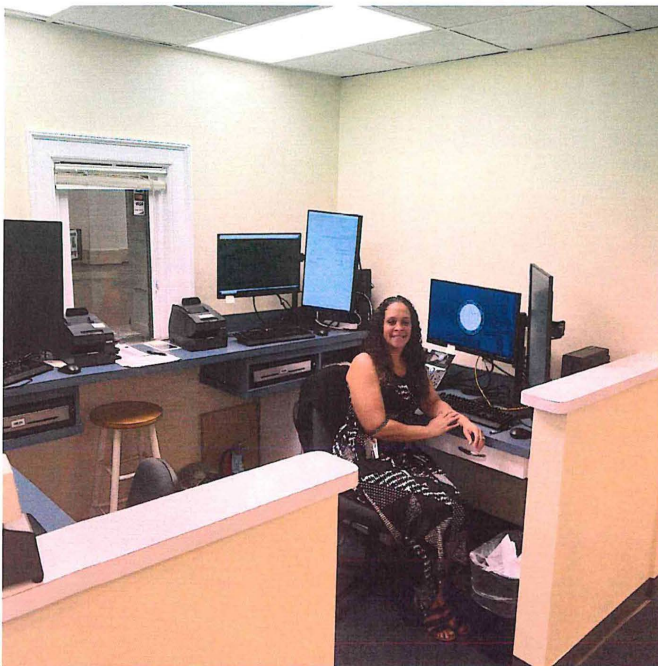
JYW/
Attachment

ATTACHMENT A



Photos of construction work in the Granville County Clerk's Office as it was while the Audit was taking place.

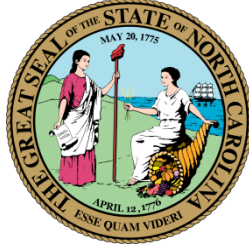
ATTACHMENT A



Post-construction photos:

Above, the front counter of the civil department with the newly created semi-private office for estates and special proceedings in the background.

Below, the newly renovated cashier's station.



APPENDIX

Internal Control Components and Principles Significant to the Audit Objectives

Our general audit objective was to identify improvements needed in internal control over selected financial matters.

Internal control components and underlying principles that were significant to our audit objectives are identified in the table below.

COMPONENTS AND PRINCIPLES	AUDIT OBJECTIVES			
	CASH	ESTATES	ESCHEATS	TRUSTS
CONTROL ENVIRONMENT				
1. The oversight body and management should demonstrate a commitment to integrity and ethical values.	X	X	X	X
2. The oversight body should oversee the entity's internal control system.	X	X	X	X
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.	X	X	X	X
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.				
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.				
RISK ASSESSMENT				
6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.				
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.	X	X	X	X
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.				

9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.	X	X	X	X
CONTROL ACTIVITIES				
10. Management should design control activities to achieve objectives and respond to risks.	X	X	X	X
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.				
12. Management should implement control activities through policies.	X	X	X	X
INFORMATION AND COMMUNICATION				
13. Management should use quality information to achieve the entity's objectives.	X	X	X	X
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.	X	X	X	X
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.	X	X	X	X
MONITORING ACTIVITIES				
16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.	X	X	X	X
17. Management should remediate identified internal control deficiencies on a timely basis.	X	X	X	X

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919-807-7666

