

COURT OF CHANCERY

EXAMINATION OF COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2021-2023



COURT OF CHANCERY

REPORT SUMMARY FISCAL YEARS ENDED JUNE 30, 2021-2023

BACKGROUND

The Office of Auditor of Accounts presents an examination of the Delaware Court of Chancery's compliance, applicable to laws and regulations related to cash receipts, cash disbursements, obligations and public funds appropriated or otherwise authorized by law, including financial and fiscal operations related to the Court's use of the State's uniform accounting system (First State Financial) as set forth in the Delaware Code, Delaware Law and the State of Delaware Budget and Accounting Policy Manual (BAM), for the 3 years ending June 30, 2023.

This engagement was conducted in accordance with 29 Del. C. §2906 and 10 Del. C. §2507.

KEY INFORMATION AND FINDINGS

It was found that the Delaware Court of Chancery complied, in all material respects, with the criteria mentioned above.

The Background

Court of Chancery Overview

Since 1792, the Delaware Court of Chancery has been widely recognized as the nation's preeminent forum for the determination of disputes involving the internal affairs of Delaware corporations and other business entities through which a vast amount of the world's commercial affairs is conducted. The State of Delaware, Court of Chancery has jurisdiction to hear and determine all matters and causes in equity. The General Assembly may confer upon the Court of Chancery additional statutory jurisdiction. In today's practice, the litigation in the Court of Chancery consists largely of corporate matters, trusts, estates, and other fiduciary matters, disputes involving the purchase and sale of land, questions of title to real estate, and commercial and contractual matters in general. When issues of fact to be tried by a jury arise, the Court of Chancery may order such facts to trial by issues at the Bar of the Superior Court (10 Del. C. §369).

Register in Court of Chancery's Responsibilities

The Chief Register in Chancery ('*Chief Register*') is required by 10 Del. C. §2505 and §2506 to collect all fees, costs and allowances by law taxable by, or payable to, the Register in Chancery (*the 'Register'*), without any deduction, abatement or remission, except fees, costs and allowances payable by the State to such Office, and shall keep in a properly indexed record an itemized account showing the amount of each fee, item of cost and allowance by law taxable by, or payable to, such Office, and the service for which the same was rendered or charged, the date of payment, and the name of the person paying the same. All collections shall be for the sole use of the State and when received shall be paid to the State Treasurer.

State Auditor's Authority to Perform Examination

The Auditor of Accounts is mandated by 29 Del. §2906(a), to "...conduct audits of all the financial transactions of all state agencies". The Auditor of Accounts is specifically mandated by 10 Del. C. §2507 to audit, examine, and inspect the Court's books, accounts, papers, records and dockets kept by the Register in Chancery.

Examination Scope & Objectives

The Auditor of Accounts (AOA) performed an examination of the Court of Chancery's books, accounts, papers, records and dockets for the fiscal years ended June 30, 2021, 2022 and 2023.

To determine the examination's objectives, AOA performed inquiries of the Chief Register and appropriate personnel, inspected documents and records, tested transactions, and, to the extent practicable, observed the office's operations to assess risk and design examination procedures to obtain reasonable assurance for the following objectives:

- A. The Chief Register in Chancery has collected all fees, costs and allowances by law taxable by or payable to the Register in Chancery Office, without any deduction, abatement or remission, except fees, costs and allowances payable by the State to such Office.

B. The Chief Register in Chancery maintains properly indexed records of the following:

- a. Amount of taxable cost or allowance.
- b. Services rendered.
- c. Date of payment.
- d. Name of the person paying.

C. All the fees, costs, allowances and other perquisites paid to the Register in Chancery Office have been paid to the State Treasurer when received.

To obtain reasonable assurance, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, and the significance of the transaction to the area of operation reviewed. The State Auditor also performed detailed auditing procedures considered necessary to achieve the examination objectives.

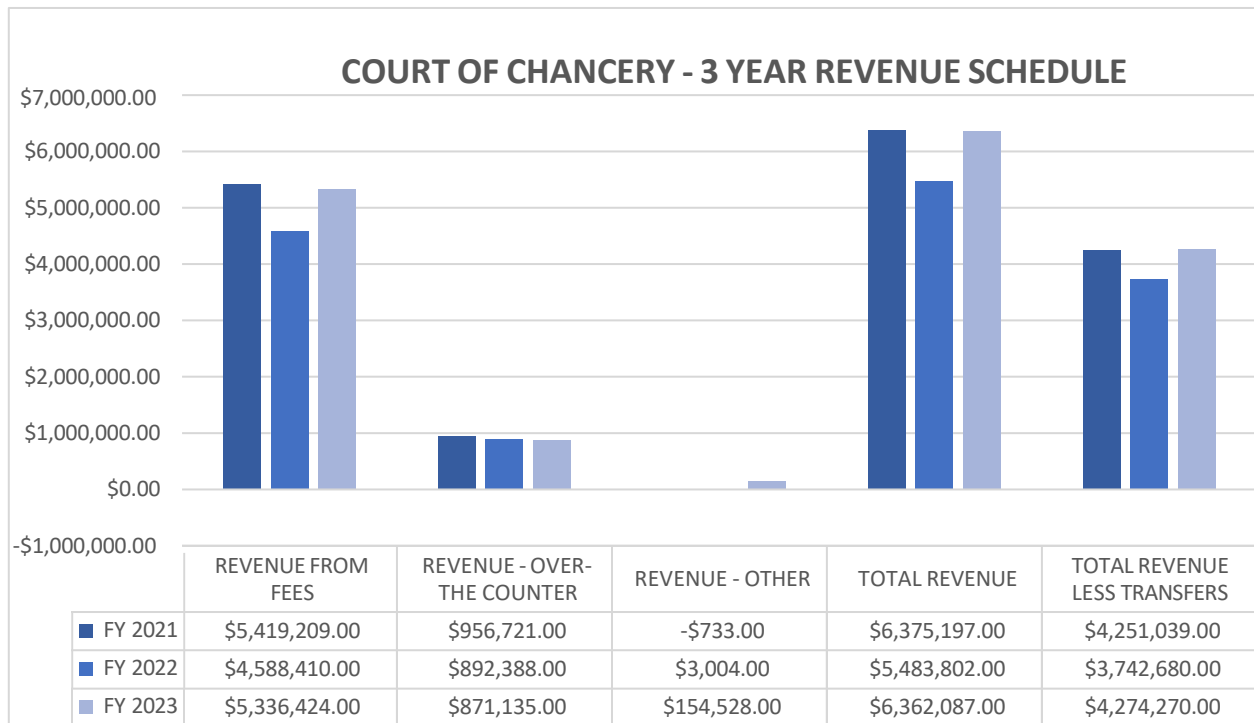


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Abbreviations:

AOA	Auditor of Accounts
FSF	First State Financials
BAM	State of Delaware Budget and Accounting Manual

Lydia E. York
Lydia.E.York@delaware.gov



State of Delaware
Office of Auditor of Accounts
Lydia E. York
State Auditor

Independent Auditor's Report

Honorable Kathleen St. J. McCormick
Chancellor, Court of Chancery
500 N King St. Ste. 11600
Wilmington, DE 19801

The State of Delaware, Office of Auditor of Accounts has examined the Delaware Court of Chancery, Register in Chancery's (Register's Office) assertion that the Register's Office complied with 10 Del. C. §2505 and §2506 during the fiscal years ended June 30, 2021, 2022 and 2023. The Register's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the Register's compliance with 10 Del. C. §2505 and §2506, based on our examination.

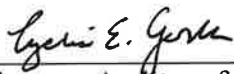
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement. Our examination does not provide a legal determination on the Register's compliance with 10 Del. C. §2505 and §2506.

In our opinion, management's assertion that the Register's Office complied with 10 Del. C. §2505 and §2506 during the fiscal years ended June 30, 2021, 2022 and 2023, is fairly stated in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Chancery Court's financial reporting, and any other instances that warrant the attention of those charged with governance, noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Chancery Court's financial reporting is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control applicable to preparing the Chancery Court's financial statements or on compliance and other matters; accordingly, we express no such opinion. Our examination disclosed no findings that would have been required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Auditor of Accounts, Court of Chancery and the General Assembly. However, under 29 Del. C. §10002(o), this report is a matter of public record, and its distribution is not limited. This report, as required by statute, will be provided to the Office of the Governor, General Assembly, Office of the Controller General, Office of the Attorney General and Office of Management and Budget.



State of Delaware, Auditor of Accounts
Dover, Delaware
February 18, 2025

**STATE OF DELAWARE
COURT OF CHANCERY
SCHEDULE OF REVENUES
FOR THE YEARS ENDED JUNE 30, 2021, 2022 & 2023**

	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>REVENUE FROM FEES</u>			
Filing Fees	\$ 989,409	\$ 974,588	\$ 1,118,204
Pro Hac Vice Fees	762,398	672,905	933,105
Court Security Fees	16,510	16,630	19,330
Tech Revenue Fees	64,963	61,863	71,733
Royalty Income	667,752	598,128	757,349
Per Page Fees	2,918,177	2,264,296	2,436,703
	<u>5,419,209</u>	<u>4,588,410</u>	<u>5,336,424</u>
<u>REVENUE - OVER-THE COUNTER</u>			
Register Fees	859,500	814,745	848,255
Special Process Server Fees	8,350	8,100	8,600
Mediation Room Rental & Fees	87,501	68,483	13,100
Court Security Fees	1,370	1,060	1,180
	<u>956,721</u>	<u>892,388</u>	<u>871,135</u>
<u>REVENUE - OTHER</u>			
Interest Income (Net of Fees)	(733)	3,004	154,528
	<u>(733)</u>	<u>3,004</u>	<u>154,528</u>
TOTAL OTHER REVENUE	<u>(733)</u>	<u>3,004</u>	<u>154,528</u>
TOTAL REVENUE	6,375,197	5,483,802	6,362,087
LESS: ADJUSTMENTS & TRANSFERS	<u>(2,124,158)</u>	<u>(1,741,122)</u>	<u>(2,087,817)</u>
TOTAL REVENUE LESS TRANSFERS	<u>\$ 4,251,039</u>	<u>\$ 3,742,680</u>	<u>\$ 4,274,270</u>