

Audit Report

---

**Office of the Clerk of Circuit Court  
Baltimore County, Maryland**

May 2008

---



**OFFICE OF LEGISLATIVE AUDITS**  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

- 
- This report and any related follow-up correspondence are available to the public through the Office of Legislative Audits at 301 West Preston Street, Room 1202, Baltimore, Maryland 21201. The Office may be contacted by telephone at 410-946-5900, 301-970-5900, or 1-877-486-9964.
  - Electronic copies of our audit reports can be viewed or downloaded from our website at <http://www.ola.state.md.us>.
  - Alternative formats may be requested through the Maryland Relay Service at 1-800-735-2258.
  - The Department of Legislative Services – Office of the Executive Director, 90 State Circle, Annapolis, Maryland 21401 can also assist you in obtaining copies of our reports and related correspondence. The Department may be contacted by telephone at 410-946-5400 or 301-970-5400.
-



Karl S. Aro  
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA  
Legislative Auditor

May 1, 2008

Senator Verna L. Jones, Co-Chair, Joint Audit Committee  
Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Office of the Clerk of Circuit Court for Baltimore County, Maryland for the period beginning July 1, 2005 and ending January 15, 2008.

Our audit disclosed that the Office lacked adequate internal controls over its cash receipts. For example, the Office did not properly verify that all recorded cash receipts were deposited.

Respectfully submitted,

Bruce A. Myers, CPA  
Legislative Auditor



## **Background Information**

### **Agency Responsibilities**

The Office performs a variety of functions for the public such as filing, docketing, and maintaining various legal records; recording documents involving title to real estate; collecting the related fees, commissions, and taxes; and issuing certain licenses. In performing these functions, the Office collects funds on behalf of the State, Baltimore County, and others, and subsequently distributes the funds collected to the applicable entities.

### **Financial Information**

According to the State's accounting records, the Office's fiscal year 2007 revenues totaled \$36,579,450. These revenues were distributed in the following manner:

- \$2,102,284 was distributed to Baltimore County;
- \$33,697 was distributed to others; and
- \$34,443,469 (the remaining amount) represented revenues available to the State for purposes specified in various provisions of State law.

The Office's fiscal year 2007 operating expenses, which were paid primarily from a general fund appropriation, totaled \$6,854,285.

The Office also maintained custody of certain trust funds that, according to its records, had balances totaling \$9,682,033 as of December 31, 2007.

### **Current Status of Findings From Preceding Audit Report**

Our audit included a review to determine the current status of the three findings contained in our preceding audit report dated October 20, 2005. We determined that the Office satisfactorily addressed two of these findings. The remaining finding is repeated in this report.

## Findings and Recommendations

### Cash Receipts

#### **Finding 1**

**Adequate internal controls had not been established over cash receipts.**

#### **Analysis**

The Office had not established adequate internal controls over cash receipts. According to the Office's records, during fiscal year 2007, the Office's collections (including trust funds) totaled approximately \$50.3 million. We noted the following conditions:

- The Office did not properly verify that all recorded collections were deposited. Specifically, the Office did not use the documents on which collections were initially recorded (cash register tapes) to verify the accuracy of its bank deposits. A similar condition was commented upon in our preceding audit report.
- Verifications of trust fund deposits were performed by an employee that was not independent of the related cash receipt functions.
- Although we were advised that voided transactions were independently reviewed to ensure transactions were not both recorded and voided by the same employee, the Office did not adequately document this review. In this regard, our review disclosed that five Office employees had the ability to both record and void recorded cash receipt transactions.

As a result of these conditions, the Office lacked assurance that recorded collections were deposited and, in the event of a misappropriation, lacked the ability to affix responsibility for any shortage.

#### **Recommendation 1**

**We recommend that an employee independent of the cash receipts function verify that all recorded collections were deposited by comparing the amounts recorded on the applicable cash registers tapes with the related validated deposit tickets. In addition, we recommend that employees who record cash receipt transactions not also be able to void such transactions and that independent verifications of voided transactions be documented. We advised the Office on accomplishing the necessary separation of duties using existing personnel.**

## **Audit Scope, Objectives, and Methodology**

We have audited the Office of the Clerk of Circuit Court for Baltimore County, Maryland for the period beginning July 1, 2005 and ending January 15, 2008. The audit was conducted in accordance with generally accepted government auditing standards.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Office's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the current status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Office's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include certain support services provided to the Office by the Administrative Office of the Courts. These support services (such as payroll, processing of invoices, and maintenance of budgetary accounting records) are included within the scope of our audits of the Judiciary.

The Office's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes a finding relating to a condition that we consider to be a significant deficiency in the design or operation of internal control that could adversely affect the Office's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our audit did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations. Another less significant finding was communicated to the Office that did not warrant inclusion in this report.

The Judiciary's response, on behalf of the Office, to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the Judiciary regarding the results of our review of its response.

APPENDIX



ROBERT M. BELL  
CHIEF JUDGE  
COURT OF APPEALS OF MARYLAND  
ROBERT C. MURPHY COURTS OF APPEAL BUILDING  
361 ROWE BOULEVARD  
ANNAPOLIS, MARYLAND 21401-1699

April 25, 2008

Mr. Bruce A. Myers, CPA  
Legislative Auditors  
Office of Legislative Audits  
301 West Preston Street  
Baltimore, Maryland 21201

Dear Mr. Myers:

We have received the Legislative Auditor's Draft Audit Report pertaining to the audit of the Office of the Clerk of the Circuit Court of Baltimore County, Maryland for the audit period beginning July 1, 2005 and ending January 15, 2008. The following is our response to the finding and recommendation in the audit report:

**Cash Receipts**

**Finding**

We concur with the finding and recommendation. Internal controls related to the verification of cash deposits and cash register voided transactions have been strengthened. An independent employee verifies receipted bank deposit tickets to cash register tapes. In addition, a documented independent review of cash register voids is performed. This process ensures that the same employee does not subsequently void cash transactions.

We believe we have responded in full to the finding and recommendation.

Very truly yours,

Handwritten signature of Robert M. Bell in black ink.

Robert M. Bell

Handwritten signature of Suzanne Mensh in black ink.

Suzanne Mensh  
Clerk of the Circuit Court for  
Baltimore County

Cc: Hon. John G. Turnbull, Administrative Judge  
Frank Broccolina, State Court Administrator  
Ssali Luwemba, Director of Internal Audit

AUDIT TEAM

**Peter J. Klemans, CPA**  
Audit Manager

**Carlton A. Sexton**  
Senior Auditor

**Andrew N. Dobin**  
**Marva M. Sutherland**  
Staff Auditors