

Audit Report

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

August 2009



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA
Legislative Auditor

August 3, 2009

Delegate Steven J. DeBoy Sr., Co-Chair, Joint Audit Committee
Senator Verna L. Jones, 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 Caroline County, Maryland for the period beginning May 3, 2006 and ending April 6, 2009. The Office performs various functions for the public, including maintaining various legal records, recording certain real estate documents, collecting related fees and taxes, and issuing certain licenses.

Our audit disclosed that the Office lacked adequate controls over its cash receipts and did not always refer the disposition of motor vehicle cases to the Motor Vehicle Administration in a timely manner.

The Judiciary's response to this audit, on behalf of the Office, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us by the Office during the course of this audit.

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, Caroline County and its incorporated cities and towns, and subsequently distributes the funds collected to the applicable entities.

Financial Information

According to the Office's accounting records, the Office's fiscal year 2008 revenues totaled \$4,726,738. These revenues were distributed in the following manner:

- \$3,201,835 was distributed to Caroline County and its incorporated cities and towns; and
- \$1,524,903 (the remaining amount) represented revenues available to the State for purposes specified in various provisions of State law.

The Office's fiscal year 2008 operating expenses, which were paid primarily from a general fund appropriation, totaled \$619,714.

The Office also maintained custody of certain special purpose funds that, according to its records, had balances totaling \$82,550 as of April 6, 2009.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the two findings contained in our preceding audit report dated October 2, 2006. We determined that the Office had not satisfactorily addressed the findings; therefore, they are repeated in this report.

Findings and Recommendations

Cash Receipts

Finding 1

The Office lacked adequate controls over its cash receipts.

Analysis

The Office lacked adequate controls over its cash receipts, which totaled approximately \$4.7 million during fiscal year 2008. Specifically, we noted the following conditions:

- Accountability for recording cash receipt transactions was lacking, as the specific employees who recorded and voided receipt transactions were not identified. Specifically, several employees, other than the two assigned cashiers, recorded collections on the Office's cash register using the password and userid of one of the assigned cashiers. Since this assigned cashier also had the capability to void receipt transactions, all employees using the assigned cashier's password could also void recorded transactions. Similar conditions were commented upon in our two preceding audit reports.
- The assigned cashiers did not document that the receipts were counted at the end of the day and that the amounts counted agreed to the totals recorded on the cash register tapes. Furthermore, since the contents of the bank deposit bag into which the daily collections were placed were accessible to one of the assigned cashiers and to another employee, the Office could not establish responsibility in the event recorded receipts were misappropriated.
- The Office's daily bank deposits and continuity of cash register transaction numbers were not adequately verified. Our test disclosed that, for all 15 days selected for audit verification, the Office lacked documentation to indicate that the related bank deposits and continuity of the transaction numbers had been verified by an employee independent of the Office's cash receipts functions. In addition, an assigned cashier performed the daily cash register closeout procedures, rather than an independent supervisor. Similar conditions were commented upon in a number of our preceding audit reports.

Recommendation 1

We recommend

- a. that only the two assigned cashiers record collections on the Office's cash register using their passwords (repeat),**
- b. that cashiers document that collections on hand at the end of the day are counted and that such amounts agree to the totals recorded on the related cash register tapes,**
- c. that an employee independent of the collection and deposit functions verifies that all recorded collections were deposited and the continuity of daily transaction numbers listed on the cash register closeout tapes (repeat), and**
- d. that assigned cashiers be denied the capability to close out the cash register (repeat).**

We advised the Office on accomplishing the necessary separation of duties using existing personnel.

Motor Vehicle Cases

Finding 2

The Office did not always refer the disposition of motor vehicle cases to the Motor Vehicle Administration in a timely manner.

Analysis

The Office did not always transmit the disposition of motor vehicle cases to the Motor Vehicle Administration (MVA) within the time frame required by the Administrative Office of the Court. Our test of 20 motor vehicle cases filed with the Office during the period from April 2008 to March 2009, which resulted in guilty verdicts, disclosed that, for 4 cases, the Office did not inform the MVA of the cases' guilty dispositions for periods ranging from 23 to 186 days after the required time frame. All four of these cases involved critical motor vehicle violations (for example, driving under the influence, negligent driving, and driving a motor vehicle while impaired by alcohol) that, according to State law, mandated license suspensions or revocations. A similar condition was commented upon in our preceding audit report.

The Circuit Court adjudicates motor vehicle cases involving appeals from the District Court and cases in which the defendant requested a jury trial. The law requires the clerks of the court to report to the MVA the conviction, forfeiture of bail, dismissal of an appeal, or an acquittal in any case involving a violation of the Maryland Vehicle Law or other traffic law as directed by the Administrative

Order of the Chief Judge of the Court of Appeals. That Order required the clerks of the court to transmit the disposition of motor vehicle cases to the MVA within 10 days of conviction. The timely submission of this information by the Office is critical because the MVA is responsible for processing the disposition of motor vehicle cases (for example, license revocation for driving while intoxicated), but cannot do so until the Office transmits the case records.

According to the Office's records, during fiscal year 2008, it adjudicated 86 motor vehicle cases.

Recommendation 2

We again recommend that the Office refer the disposition of motor vehicle cases to the MVA in accordance with the established time frame.

Audit Scope, Objectives, and Methodology

We have audited the Office of the Clerk of Circuit Court for Caroline County, Maryland for the period beginning May 3, 2006 and ending April 6, 2009. The audit was conducted 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.

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. The areas addressed by the audit included cash receipts, including taxes and fees collected for real estate transactions; bank accounts; accounts receivable; and reporting on the disposition of motor vehicle cases. We also determined the 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.

Our audit disclosed conditions that we consider to be significant deficiencies 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. This report also includes a finding regarding a significant instance 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

July 28, 2009

Mr. Bruce Myers, CPA
Legislative Auditor
Office of Legislative Audits
301 West Preston Street
Baltimore, MD 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 for Caroline County, Maryland for the period beginning May 3, 2006 and ending April 6, 2009. The following is our response to the audit findings and recommendations in the report:

Finding 1

Cash Receipts

We concur with the finding and recommendation.

- The Office's two designated cashiers now operate the cash register with their individual user identifications and passwords. Each cashier has been assigned their own cash drawer. The other Office employees are aware that only these two cashiers are permitted to process cash receipts.
- The two cashiers document their total receipts at the end of each business day by initialing on their cash register drawer reports. Access to the daily deposit bag has been restricted.
- An employee independent of the cash handling function verifies and initials the cash register total collections report and continuity of cash register receipt numbers each day. An independent supervisor performs cash register closeout procedures.

Finding 2

Motor Vehicle Cases

We concur with the finding and recommendation. Existing procedures have been strengthened to ensure that the disposition of all motor vehicle cases are transmitted to

the State Motor Vehicle Administration (MVA) in accordance with the time frame established by law.

We believe we have responded in full to both findings and recommendations in the audit report.

Very truly yours,


Robert M. Bell


F. Dale Minner
Clerk of the Circuit Court for
Caroline County

cc: Hon. Karen A. Murphy Jensen, Administrative Judge for Caroline County
Frank Broccolina, State Court Administrator
Faye Gaskin, Deputy State Court Administrator
Ssali Luwemba, Director of Internal Audit

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