

Audit Report

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

August 2007

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**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 24, 2007

Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee  
Senator Nathaniel J. McFadden, 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 Cecil County, Maryland for the period beginning March 3, 2004 and ending April 15, 2007.

Our audit disclosed that improved controls were needed over voided transactions in the automated cash register system. In addition, the Office did not refer the disposition of all court cases involving motor vehicle violations to the State's Motor Vehicle Administration (MVA) within the 15-day time frame required by State law. Timely submission is critical since the MVA is responsible for taking any follow-up action, such as license revocation or suspension, mandated by the case disposition.

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, Cecil County and its incorporated cities and towns, 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 2006 revenues totaled \$17,445,702. These revenues were distributed in the following manner:

- \$9,823,079 was distributed to Cecil County and its incorporated cities and towns;
- \$553,999 was distributed to others; and
- \$7,068,624 (the remaining amount) represented revenues available to the State for purposes specified in various provisions of State law.

The Office's fiscal year 2006 operating expenses, which were paid primarily from a general fund appropriation, totaled \$1,498,468.

The Office also maintained custody of certain trust and special purpose funds that, according to its records, had balances totaling \$1,116,251 as of April 15, 2007.

## Findings and Recommendations

### Cash Receipts

#### **Finding 1**

**Voided cash receipt transactions were not adequately controlled.**

#### **Analysis**

The Office did not adequately control voided cash receipt transactions. Specifically, three employees who had the capability to void cash receipt transactions recorded on the Office's automated cash register system also received cash receipts and prepared the related bank deposits. According to the Office's procedures, cash receipt transactions should be voided, as they occur, by an employee other than the cashier who processed the original transactions, and an independent employee should subsequently review voided transactions to ensure that they were properly processed. However, no such reviews were performed. As a result, collections could be misappropriated without detection. According to the Office's records, voided transactions totaled at least \$357,000 during the period from July 2006 to April 2007, and cash receipts totaled approximately \$17.4 million during fiscal year 2006.

#### **Recommendation 1**

**We recommend that an employee who does not have access to cash receipts determine the propriety of all voided transactions recorded on the daily cash register tapes, and that these reviews be documented. 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 15-day time frame required by law. Our test of 35 motor vehicle cases that were filed with the Office during the period from April 18, 2005 through April 15, 2007 revealed 7 cases in which the Office did not inform the MVA of the cases' guilty dispositions for periods which ranged from 1 to 23 months after the required time frame. In 5 of the 7 cases, the law mandated license suspension or revocation.

The Circuit Court adjudicates motor vehicle cases involving appeals from the District Court and cases in which the defendant requested a jury trial. The Office's records indicated that, during fiscal year 2006, the Circuit Court for Cecil County heard 451 such cases. The law requires the clerks of the court to send a record of case disposition, for cases involving motor vehicle violations, to the MVA within 15 days of conviction, forfeiture of bail, dismissal of appeal, or acquittal. 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.

### **Recommendation 2**

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

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

We have audited the Office of the Clerk of Circuit Court for Cecil County, Maryland for the period beginning March 3, 2004 and ending April 15, 2007. 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.

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.

Our audit scope was limited with respect to the Office's cash transactions because the Office of the State Treasurer was unable to reconcile the State's main bank accounts during a portion of the audit period. Due to this condition, we were unable to determine, with reasonable assurance, that all Office cash transactions prior to July 1, 2005 were accounted for and properly recorded on the related State accounting records as well as the banks' records.

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 report also includes a finding regarding a significant instance of noncompliance with applicable laws, rules, or regulations.

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

August 15, 2007

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

Dear Mr. Myers:

We are in receipt of the Legislative Auditor's Draft Audit Report pertaining to the audit of the Office of the Clerk of the Circuit Court of Cecil County, Maryland for the audit period beginning March 3, 2004 and ending April 15, 2007.

Cash Receipts  
Finding 1

An employee not having access to cash receipts has been assigned the responsibility to review voided transactions recorded on the daily cash register tapes. In addition, the employee will document their review by signing and dating the register tapes.

Motor Vehicle Cases  
Finding 2

We have established procedures to ensure the timely entry of motor vehicle case dispositions into both the District Court Traffic system and circuit court case management system within the time frame established by law.

We believe this responds in full to the exceptions in the audit report.

Very truly yours,

Handwritten signature of Robert M. Bell in cursive.

Robert M. Bell

Handwritten signature of William L. Brueckman in cursive.

William L. Brueckman,  
Clerk of the Circuit Court for Cecil  
County, Maryland

Cc: Hon. Richard Eli Jackson, Administrative Judge  
Frank Broccolina, State Court Administrator  
James Pasko, Acting Director of Internal Audit

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