

Audit Report

**Office of the Clerk of Circuit Court
Prince George's County, Maryland**

April 2011



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

April 18, 2011

Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Senator James C. Rosapepe, 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 Prince George's County, Maryland for the period beginning October 9, 2007 and ending October 5, 2010. 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 did not determine if certain special purpose bank account funds should be declared abandoned and transferred to the Comptroller of Maryland, as required by law. In addition, the Office did not take sufficient action to address a prior audit report recommendation to ensure that the dispositions of all past motor vehicle cases were reported to the State's Motor Vehicle Administration. Finally, our audit disclosed that delinquent accounts, for fines and court costs, were not being submitted to the State's Central Collection Unit 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, Prince George's 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 2010 revenues totaled \$28,967,665. These revenues were distributed in the following manner:

- \$1,768,597 was distributed to Prince George's County and its incorporated cities and towns;
- \$3,425 was distributed to others; and
- \$27,195,643 (the remaining amount) represented revenues available to the State for purposes specified in various provisions of State law.

The Office's fiscal year 2010 operating expenses, which were paid primarily from a general fund appropriation, totaled \$9,994,429.

The Office also maintained custody of certain trust funds and special purpose funds that, according to its records, had balances totaling \$36,649,486 as of September 30, 2010.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the three findings contained in our preceding audit report dated April 8, 2008. We determined that the Office had satisfactorily addressed two of these three findings. The remaining finding is repeated in this report.

Findings and Recommendations

Unclaimed Bank Account Funds

Finding 1

The Office did not determine if unclaimed special purpose bank account funds should be declared abandoned and transferred to the Comptroller of Maryland, as required by State law.

Analysis

The Office did not determine if certain unclaimed dormant special purpose bank accounts should be declared abandoned and transferred to the Comptroller of Maryland, as required by State law. The Office maintains custody of certain funds involved in criminal and civil cases, such as divorces, foreclosures, and criminal appeals. We reviewed 25 bank accounts with combined balances totaling approximately \$501,000 that had been open for at least three years as of June 30, 2010. Our review disclosed that, for 10 of the accounts totaling approximately \$269,000, the Office had not submitted a written notice of the account to the apparent owner's last known address, as required, nor had the Office transferred the funds to the Comptroller of Maryland. For one other account, totaling \$9,109, a notice of the account had been submitted to the apparent owner's last known address; however, the Office received no response and the account was not transferred to the Comptroller of Maryland.

According to the Office's records, as of September 30, 2010 there were 114 accounts, totaling approximately \$668,000, which have remained open for at least three years.

The Commercial Law Article, Title 17 of the Annotated Code of Maryland, provides that certain personal property that remains unclaimed for more than three years shall be presumed abandoned and transferred to the Comptroller of Maryland. The law also requires written notice be sent to the apparent owner's last address prior to reporting the abandoned property to the Comptroller of Maryland.

Recommendation 1

We recommend that the Office

- a. submit written notices of unclaimed bank accounts to the apparent owners' last known addresses, and**
- b. transfer all unclaimed dormant bank accounts to the Comptroller of Maryland in accordance with State law.**

Motor Vehicle Cases

Finding 2

The Office did not ensure that the dispositions of past motor vehicle cases were referred to the Motor Vehicle Administration as required.

Analysis

In our preceding audit report, we noted that the Office did not always refer the disposition of motor vehicle cases to the Motor Vehicle Administration (MVA) as required. At that time, we were advised by Office management that a computer programming error led to this situation during the period from July 2005 to January 2007. Based on the Office's records, 365 of the 3,619 motor vehicle cases heard during this period had guilty verdicts. Our test of 20 motor vehicle cases, that were filed with the Office during fiscal year 2007 and resulted in guilty verdicts, revealed that 16 of the cases had not been transmitted to the MVA as of November 2007. We recommended that the Office review its records of MVA cases and ensure that all past cases which had not been transmitted due to the aforementioned error be transmitted to the MVA.

Our current review disclosed that while current cases were generally being transmitted, the Office could not document that all of the 365 past cases had been reviewed and subsequently transmitted to MVA. Our current review of eight of these past cases disclosed that, while four of the cases had been transmitted to the MVA, the remaining four were not transmitted to MVA until January 24, 2011—after we inquired about the cases.

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 send a record of case disposition, for each case involving a motor vehicle violation, to the MVA within ten 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 review its records of MVA cases and ensure that all past cases have been transmitted to the MVA (repeat).

Accounts Receivable

Finding 3

The Office did not refer delinquent accounts receivable to the Department of Budget and Management's Central Collection Unit in a timely manner.

Analysis

The Office did not refer delinquent accounts receivable to the Department of Budget and Management's Central Collection Unit (CCU) in a timely manner. The Office maintains accounts receivable records to collect fines and court costs related to civil, criminal, and juvenile court proceedings. Although the Office submitted delinquent accounts to CCU, the procedures used resulted in unnecessary delays in the referrals. Specifically, Office personnel reviewed aging reports for accounts that were three months past due; however, the most current reports were not used for these reviews.

Our review of nine outstanding accounts totaling approximately \$6,440 disclosed that four of the accounts totaling \$3,190 were submitted to CCU from 10 to 13 months past the due dates. Additionally, two of the accounts totaling \$1,600 had not been submitted to CCU as of January 25, 2011 and were 6 and 8 months past due. According to the Office's records, as of September 30, 2010 the accounts receivable balance totaled approximately \$174,000.

The Judiciary's *Accounts Receivable Policy and Procedures*, effective July 1, 2003, specifies the importance of timely collection of accounts receivable and indicates that CCU may be used as a tool for collection. While the *Policy* does not mention specific timeframes for CCU referral, Executive Branch agencies are generally required to forward delinquent accounts to CCU within 75 days of the related billings. Delinquent accounts should be forwarded to CCU in a timely manner since the ability to collect on these accounts may decline with age.

Recommendation 3

We recommend that the Office

- a. establish accounts receivable procedures that include reviewing current aging reports, and a reasonable time frame for referring delinquent accounts to CCU; and**
- b. refer these delinquent accounts in accordance with the established procedures.**

Audit Scope, Objectives, and Methodology

We have audited the Office of the Clerk of Circuit Court for Prince George's County, Maryland for the period beginning October 9, 2007 and ending October 5, 2010. 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. 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. The areas addressed by the audit included cash receipts (including taxes and fees collected for real estate transactions), bank accounts, accounts receivable, and recordation of the dispositions of court cases. 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 condition that we consider to be 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. This report also includes findings regarding significant instances of non-compliance 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

April 12, 2011

Mr. Bruce A. 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 Prince George's County, Maryland for the period beginning October 9, 2007 and ending October 5, 2010. The following are our responses to the audit findings and recommendations in the report:

Finding 1

Unclaimed Bank Account Funds

We concur with the recommendation. Special purpose bank account management procedures have been strengthened. The Clerk's Office sends written notices to the last known address of all parties involved in cases with unclaimed funds and maintains a log of whom, when, and where the notices were sent. The audit report noted 114 accounts which remained open for at least three years; 73 of the 114 accounts were transferred to the Comptroller's office on October 28, 2010. The remaining 41 accounts were disbursed to owners in November and December of 2010.

Finding 2

Motor Vehicle Cases

We concur with the finding and recommendation. The Clerk's Office updated the disposition of all past motor vehicle cases in February, 2011. Our current procedures ensure that the dispositions of all motor vehicle cases are transmitted to the State Motor Vehicle Administration (MVA) in accordance with the time frame established by law.

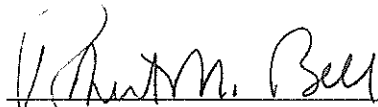
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Finding 3
Accounts Receivable

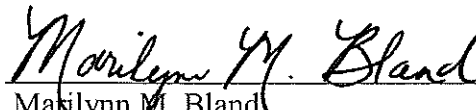
We concur with the finding and recommendation. Existing accounts receivable procedures have been strengthened. Our review process of overdue accounts has been streamlined and delinquent accounts are transferred to CCU on a quarterly basis.

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

Very truly yours,



Robert M. Bell



Makilynn M. Bland
Clerk of the Circuit Court for
Prince George's County

cc: Hon. Sheila R. Tillerson Adams, Administrative Judge
Frank Broccolina, State Court Administrator
Faye Matthews, Deputy State Court Administrator
Ssali Luwemba, Director of Internal Audit

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