

Audit Report

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

December 2009

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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

December 14, 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 Wicomico County, Maryland for the period beginning August 14, 2006 and ending August 4, 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 did not have formal procedures to ensure that the disposition of court cases was properly entered into the automated court system. In addition, adequate controls were not established for land transfer transactions.

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

### **Financial Information**

According to the State's accounting records, the Office's fiscal year 2009 revenues totaled \$5,998,595. These revenues were distributed in the following manner:

- \$3,265,358 was distributed to Wicomico County and its incorporated cities and towns;
- \$5,997 was distributed to others; and
- \$2,727,240 (the remaining amount) represented revenues available to the State for purposes specified in various provisions of State law.

The Office's fiscal year 2009 operating expenses, which were paid primarily from a general fund appropriation, totaled \$1,464,111.

The Office also maintained custody of certain trust and special purpose funds that, according to its records, had balances totaling \$639,012 as of June 30, 2009.

# Findings and Recommendations

## Court Cases

### **Finding 1**

**The Office did not have formal procedures to ensure that the disposition of court cases was properly entered into the automated court system.**

### **Analysis**

The Office did not have formal procedures to ensure that the disposition of court cases was properly entered into the Uniform Court System (UCS), which is the case management system used in most circuit courts, including Wicomico County. Specifically, at the conclusion of a criminal case, a manual form is completed in the courtroom reflecting the disposition of the case (such as not guilty, guilty, and sentencing information) and is signed by the judge. The courtroom clerk then enters the information into the UCS and, when applicable, prints a commitment letter from the system, which is sent to the appropriate correctional facility. However, our review disclosed that the UCS entries and the related commitment letters were not compared to the manual forms by independent personnel to ensure that the information was entered properly. In this regard, we were advised by management at the Department of Public Safety and Correctional Services that, for State incarcerations, the commitment letter is used to record the sentencing information in the Offender-Based State Correctional Information System and serves as the basis for the eventual prisoner release date.

Office management advised us that a copy of the manual form completed in the court room accompanies the defendant to the correctional facility, to process the inmate's initial entry into the facility, and that the Office relies on the facility to compare the manual form to the commitment letter. However, we believe that the accuracy of the information is the Office's responsibility, and an independent review to ensure that the information is entered accurately is warranted. According to the Office's records, there were 1,107 criminal cases in Wicomico County for fiscal year 2009.

### **Recommendation 1**

**We recommend that an independent documented review be performed, at least on a test basis, of the criminal case dispositions entered into the UCS and the related commitment letters.**

## Land Transfers

### **Finding 2**

**Land transfer transactions were not subject to documented independent review.**

### **Analysis**

The Office lacked adequate procedures to verify that land transfer transactions were properly processed, and to ensure the proper taxes (that is, transfer taxes, recordation taxes and nonresident withholding taxes) and fees were collected. Specifically, we noted that land record clerks had sole responsibility for processing land transactions, for determining amounts due, and for processing the related collections on the automated system. In this regard, we were advised that only certain land transactions (that is, ones for which no taxes were due) were reviewed by a supervisor to ensure their propriety; however, the reviews were not documented. Supervisory reviews are critical because the land clerks are solely responsible for determining the taxes and fees due and for entering the amounts into the system—the system does not automatically compute the liabilities. In addition, for those cases that are exempt from taxes (such as transfers between family members) or are subject to a reduced tax (such as first time homebuyers), the land clerks are responsible for reviewing the documentation to ensure that the individuals qualified for the related tax exemption or reduction.

The Office's revenues totaled approximately \$6 million for fiscal year 2009, the vast majority of which related to land transactions.

### **Recommendation 2**

**We recommend that the Office perform an independent documented review, at least on a test basis, of land transfer transactions to ensure the transactions were processed correctly and that the proper amounts of taxes and fees were collected.**

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

We have audited the Office of the Clerk of Circuit Court for Wicomico County, Maryland for the period beginning August 14, 2006 and ending August 4, 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 recording the dispositions of court cases.

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. 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

December 7, 2009

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 Wicomico County, Maryland for the period beginning August 14, 2006 and ending August 4, 2009. The following is our response to the audit findings and recommendations in the report:

### Finding 1 Court Cases

We concur with the finding and recommendation. The Clerk's Office has always confirmed, on an informal basis, that criminal case dispositions were properly entered in the Uniform Court System (UCS). Office procedures have been strengthened to formally review criminal case dispositions. An employee independent of the criminal case disposition function performs verification reviews, on a test basis, by comparing the information on the manual court forms, the related commitment letters, and the UCS to ensure that the information was entered properly. The results of the reviewed criminal case dispositions are documented on a log that is signed, dated, and maintained for future reference.

### Finding 2 Land Transfers

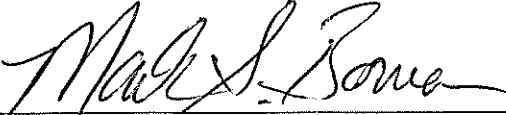
We concur with the finding and recommendation. The Clerk's Office has always reviewed land transfer transactions on an informal basis. We have established a formal supervisory review to ensure that all land transfer related activities and transactions are processed accurately in

accordance with established policies and procedures. Land Record Department supervisors, on a test basis, select certain land transfer transactions and review them. The results of the reviewed transactions are then recorded on a log that is signed, dated, and maintained by the supervisors for future reference.

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

Very truly yours,

  
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Robert M. Bell

  
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Mark S. Bowen,  
Clerk of the Circuit Court for  
Wicomico County

cc: Hon. Donald C. Davis, Administrative Judge  
Frank Broccolina, State Court Administrator  
Faye Gaskin, Deputy State Court Administrator  
Ssali Luwemba, Director of Internal Audit

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