

Audit Report

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

August 2017



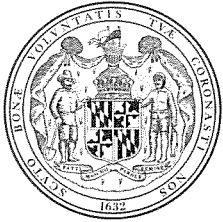
OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

August 23, 2017

Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Office of the Clerk of Circuit Court for Prince George's County, Maryland for the period beginning October 8, 2013 and ending March 6, 2017. 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 adequate controls over mail receipts related to land record transactions. Our audit also disclosed that the Office did not take sufficient action to ensure that the dispositions of all motor vehicle cases were reported to the State's Motor Vehicle Administration as required. At the time of our audit, we found case dispositions that had not been reported for periods of 4 to 21 months.

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,

A handwritten signature in black ink, appearing to read "TJ Barnickel III".

Thomas J. Barnickel III, 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 municipalities, and subsequently distributes the funds collected to the applicable entities.

Financial Information

According to the State's accounting records, the Office's fiscal year 2016 revenues totaled \$45,732,939. These revenues were distributed in the following manner:

- \$1,993,558 was distributed to Prince George's County and its incorporated municipalities, and
- \$43,739,381 (the remaining amount) represented revenues available to the State for purposes specified in various provisions of State law.

The Office's fiscal year 2016 operating expenses, which were paid primarily from a general fund appropriation, totaled \$12,308,818.

The Office also maintained custody of certain trust and special purpose funds that, according to its records, had balances totaling \$13,379,906 as of February 28, 2017.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the finding contained in our preceding audit report dated February 27, 2014. We determined that the Office did not satisfactorily address this finding; therefore, it is repeated in this report.

Findings and Recommendations

Cash Receipts

Finding 1

The Office lacked adequate controls over its mail receipts related to land record transactions.

Analysis

The Office lacked adequate controls over certain cash receipts received by its land records department. Specifically, checks received in the mail were not always restrictively endorsed and recorded immediately upon receipt. Rather, checks were endorsed and recorded when they were processed through the cash register which, based on our observations, occurred sometimes weeks later. In addition, the collections were not deposited timely. For example, 1,484 checks, totaling \$78,570, which were received during the period from March 2, 2017 to March 14, 2017, had not been recorded, endorsed, or deposited as of March 30, 2017. Furthermore, rather than being secured in a safe or other locked location, the checks were retained in a storage cabinet accessible by all Office employees until deposit. According to State's accounting records, collections received by the land records department during fiscal year 2016 totaled approximately \$36.9 million and included recording fees and transfer taxes; the portion received by mail was not readily determinable.

The Comptroller of Maryland's *Accounting Procedures Manual* requires cash receipts be restrictively endorsed and recorded immediately upon receipt, deposited no later than the first working day after receipt, and adequately safeguarded until deposit.

Recommendation 1

We recommend that the Office

- a. restrictively endorse and record all checks immediately upon receipt,**
- b. ensure that receipts are adequately safeguarded prior to deposit, and**
- c. ensure that all cash receipts are deposited timely.**

Motor Vehicle Cases

Finding 2

The Office did not always refer the dispositions of motor vehicle cases to the State's Motor Vehicle Administration (MVA) as required by State law. Cases that were referred were often not submitted timely.

Analysis

The Office did not always refer the dispositions of motor vehicle cases to the MVA as required by State law, and cases that had been referred were often not done so in a timely manner. Our test of 20 motor vehicle cases that were dispositioned by the court during the period from July 2015 to November 2016, which resulted in guilty verdicts, disclosed 8 cases where the Office did not inform the MVA of the guilty dispositions. As of April 11, 2017, these dispositions had been outstanding for periods from 4 to 21 months. After our inquiries, the Office referred these 8 cases to the MVA. For the remaining 12 cases tested, the Office did not inform the MVA of the cases' guilty dispositions for periods ranging from 2 weeks to 12 months. All of the 20 cases tested involved significant motor vehicle violations (for example, driving under the influence and reckless driving) including some that may lead to immediate license suspensions or revocations according to State law. Similar conditions regarding the submission of motor vehicle cases to the MVA were commented upon in our three preceding audit reports.

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 dispositions, for each case involving a motor vehicle violation, to the MVA. While the law does not specify a time frame for submitting the dispositions, the timely submission of this information by the Office is critical because the MVA is responsible for processing the dispositions 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, 3,040 motor vehicle cases were dispositioned by the court during fiscal year 2016.

Recommendation 2

We recommend that the Office

- a. review its records of motor vehicle cases and ensure that all past cases have been transmitted to the MVA (repeat), and**
- b. refer the dispositions of motor vehicle cases to the MVA in a timely manner.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Office of the Clerk of Circuit Court for Prince George's County, Maryland for the period beginning October 8, 2013 and ending March 6, 2017. 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.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included cash receipts (including taxes and fees collected for real estate transactions), bank accounts, and the submission of motor vehicle case records to the State's Motor Vehicle Administration (MVA). We also determined the status of the finding contained in our preceding audit report.

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

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the Office's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also extracted data from the Office's automated records of adjudicated court cases for the purpose of testing the submission of motor vehicle records to the MVA. We performed tests of the relevant data and determined the data was sufficiently reliable for the purpose the data was used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve

our audit objectives. The reliability of the data used in this report for background or informational purposes was not assessed.

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 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 report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were 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 and its response.

APPENDIX

SYDNEY J. HARRISON
CLERK OF THE CIRCUIT COURT



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UPPER MARLBORO, MD 20772
(301) 952-3318

OFFICE OF
Clerk of the Circuit Court
PRINCE GEORGE'S COUNTY
UPPER MARLBORO, MD 20772-9987

August 14, 2017

Thomas J. Barnickel III, CPA
Legislative Auditor
State of Maryland
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, Maryland 21201

Dear Mr. Barnickel:

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 8, 2013 and ending March 6, 2017. The following is our response to the audit finding and recommendation in the report:

Finding 1: Land Record Transactions

The Land Records Department now opens the mail and the checks are stamped at that time on a daily basis. After stamping, the checks are immediately rung up in the RCS registers. We are currently up to date on all incoming receipts. Additionally, the mail closet is now locked and the only key is kept in the Supervisor's Office. These remedies were implemented on March 28, 2017 and remain in effect to date. During the time of the Audit, the License and Land Records Department was in the midst of one of the busiest times of the year. It was Business License renewal season and the office works diligently to handle the influx of processing renewals, the Customer Counter, performing ceremonies, all of which can create a lag in processing the crates of mail receipts received from the Comptroller of Maryland's Office.

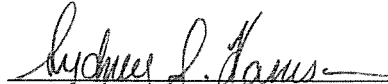
Finding 2: Motor Vehicle Cases

We concur with the recommendation to refer the dispositions of motor vehicle cases to the MVA in a timely manner. The statewide implementation of MDEC will facilitate this process.

Very truly yours,



Pamela Q. Harris
State Court Administrator



Sydney J. Harrison
Clerk of the Circuit Court for Prince
George's County

cc: Hon. Mary Ellen Barbera, Chief Judge
Hon. Sheila R. Tillerson Adams, Administrative Judge for Prince George's
County Faye D. Gaskin, Deputy State Court Administrator

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