

Audit Report

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

March 2020



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

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Senator Malcolm L. Augustine	Delegate Steven J. Arentz
Senator Adelaide C. Eckardt	Delegate Mark S. Chang
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Senator Craig J. Zucker	One Vacancy

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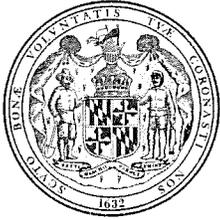
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

March 9, 2020

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Office of the Clerk of Circuit Court for Caroline County, Maryland for the period beginning April 27, 2015 and ending November 4, 2019. 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 a lack of adequate controls over collections for land record transactions. Specifically, daily cash register closeout procedures for these transactions were performed by a cashier who received the collections, rather than by an independent supervisor.

Our audit also included a review to determine the status of the three findings contained in our preceding audit report. We determined that the Office satisfactorily addressed these findings.

The Judiciary's response to this audit, on behalf of the Office, is included as an appendix to this report. We reviewed the response to our finding and related recommendation, and have concluded that the corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the audit by the Office. We also wish to acknowledge the Judiciary's and the Office's

willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a large, stylized initial 'G'.

Gregory A. Hook, 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 municipalities, and subsequently distributes the funds to the applicable entities.

Financial Information

According to the State's accounting records, the Office's fiscal year 2019 revenues totaled \$1,968,748. These revenues were distributed in the following manner:

- \$641,938 was distributed to Caroline County and its incorporated municipalities, and
- \$1,326,810 (the remaining amount) represented revenues available to the State for purposes specified in various provisions of State law.

The Office's fiscal year 2019 operating expenses, which were paid primarily from a general fund appropriation, totaled \$1,014,742.

The Office also maintained custody of certain trust funds that, according to its records, had balances totaling \$26,838 as of October 31, 2019.

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 September 17, 2015. We determined that the Office satisfactorily addressed these findings.

Findings and Recommendations

Cash Receipts

Finding 1

The Office lacked accountability and control over certain cash receipts.

Analysis

The Office lacked accountability and control over cash receipts for land transactions. Certain cashiers who processed land transfer transactions had excessive control over the related collections. Specifically, the daily cash register closeout procedures for these transactions were performed by a cashier who received the collections, rather than by an independent supervisor. In this regard, two of the three cashiers who processed land transactions had closeout capabilities. According to the Office's records, collections totaling approximately \$1.7 million related to land transactions were processed during fiscal year 2019.

According to the Maryland Court's *Clerk of Court Accounting Manual*, supervisors should verify funds with the cashier present and both the cashier and the supervisor should initial the closing documentation.

Recommendation 1

We recommend that the Office ensure cashiers are denied the capability to close out the cash register.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Office of the Clerk of Circuit Court for Caroline County, Maryland for the period beginning April 27, 2015 and ending November 4, 2019. 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) and bank accounts. We also determined the status of the findings 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 performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of 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.

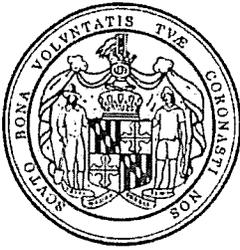
Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes a finding relating to conditions that we consider to be 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. This condition is also a significant instance of noncompliance with applicable laws, rules, or regulations. A less significant finding was communicated to the Office that did not warrant inclusion in this report.

The response from the Judiciary, on behalf of the Office, to our finding 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



OFFICE OF
TERRY B. LORD
CLERK OF THE CIRCUIT COURT FOR
CAROLINE COUNTY

P.O. BOX 458
DENTON, MARYLAND 21629
TELEPHONE: 410-479-1811

February 28, 2020

Mr. Gregory A. Hook, Legislative Auditor
Office of Legislative Audits
301 West Preston St., Room 1202
Baltimore, MD 21201

Dear Mr. Hook,

We have received the Office of Legislative Audits' Draft Report pertaining to the audit of the Office of the Clerk of the Circuit Court for Caroline County, Maryland for the period beginning April 27, 2015, and ending November 4, 2019. The following is our response to the audit finding and recommendation in the report:

Finding 1

The Office lacked accountability and control over certain cash receipts.

We concur with the finding and recommendation:

A new procedure has been adopted to insure compliance with the Finding. We have added an additional Cashier Supervisor to the RCS register. We removed the Supervisor role from the two acting cashiers. The cashier for the day will close the batch at the end of the day and the Supervisor will check the work and Reset the batch. We now have two Cashier Supervisors that do not have cashier rights. This new procedure was put into effect on February 3, 2020.

We believe we have responded in full to the finding and recommendation.

Very Truly Yours,

Pamela Q. Harris
State Court Administrator

Terry Lord
Clerk of the Circuit Court for Caroline County

cc: Hon. Mary Ellen Barbera, Chief Judge
Hon. Jonathan G. Newell, Administrative Judge for Caroline County
Faye D. Gaskin, Deputy State Court Administrator
Stephane J. Latour, Managing Legal Counsel/Internal Affairs
Solomon Ayele, Internal Audit Director

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

Agency Response Form

Cash Receipts

Finding 1 The Office lacked accountability and control over certain cash receipts.

We recommend that the Office ensure cashiers are denied the capability to close out the cash register.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1	Agree	Estimated Completion Date:	2/3/2020
Please provide details of corrective action or explain disagreement.	To remedy this finding we have added an additional Cashier Supervisor to the RCS register. We have removed the Supervisor role from the two acting cashiers. The cashier for the day will close the batch at the end of the day and the Supervisor will check the work and Reset the batch. We now have two Cashier Supervisors that do not have cashier rights. We began this new procedure on February 3, 2020.		

AUDIT TEAM

Michael J. Murdzak, CPA
Audit Manager

Anthony V. Calcagno
Senior Auditor