

Audit Report

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

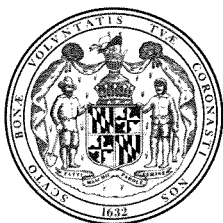
August 2014

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**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

Karl S. Aro  
Executive Director

August 21, 2014

Thomas J. Barnickel III, CPA  
Legislative Auditor

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee  
Delegate Guy J. Guzzone, 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 Talbot County, Maryland for the period beginning February 17, 2011 and ending March 23, 2014. 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 controls over cash receipts were not sufficient.

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,

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, Talbot County and its incorporated municipalities, 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 2013 revenues totaled \$12,462,920. These revenues were distributed in the following manner:

- \$8,674,738 was distributed to Talbot County and its incorporated municipalities,
- \$8,418 was distributed to others, and
- \$3,779,764 (the remaining amount) represented revenues available to the State for purposes specified in various provisions of State law.

The Office's fiscal year 2013 operating expenses, which were paid primarily from a general fund appropriation, totaled \$892,478.

The Office also maintained custody of certain trust and special purpose funds that, according to its records, had balances totaling \$209,749 as of February 28, 2014.

### **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 July 6, 2011. We determined that the Office satisfactorily addressed these findings.

## Findings and Recommendations

### Cash Receipts

#### **Finding 1**

**Controls over cash receipts and employee access to related automated records were not sufficient, and certain reconciliations were not being completed.**

#### **Analysis**

The Office had not established sufficient controls over cash receipts and employee access to the Uniform Court System (UCS), which is an automated Statewide record keeping system for criminal, civil, and juvenile case file management and the related cash receipts and accounts receivable functions. In addition, certain critical reconciliations were not being completed.

- Although the Office generated and reviewed output reports of non-cash credits and void transactions, these reviews were not sufficient because they were performed by an employee who had access to cash receipts and had system capabilities to process non-cash credit and void transactions. According to the Office's accounting records, \$2,668 in non-cash credits and \$133,787 in receipt voids were processed during fiscal year 2013.
- As of June 2014, the most recent review of user access to UCS was completed in June 2013. Judiciary policy calls for user access to critical systems to be reviewed for propriety quarterly. There are currently 11 active users of UCS in the Office.
- The Office did not routinely reconcile collection activity recorded in the UCS with the State's accounting records. Our request to review reconciliations for the months of November 2012, June 2013, and January 2014, disclosed that none had been completed as of April 14, 2014. The Comptroller of Maryland - General Accounting Division's *Accounting Procedures Manual* requires that State agencies perform timely reconciliations of critical financial information with the State's accounting records.

#### **Recommendation 1**

**We recommend that the Office**

- a. ensure that output reports of non-cash credits and void transactions recorded in the UCS are reviewed by an employee who is not assigned system capabilities to process these transactions, verified to supporting documentation, and that this review is documented;**

- b. ensure that system user access is reviewed in accordance with Judiciary policy requirements; and**
- c. reconcile collection data recorded in the UCS to the State's accounting records as required.**

**We advised the Office on accomplishing the necessary separation of duties using existing personnel.**

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

We have conducted a fiscal compliance audit of the Office of the Clerk of Circuit Court for Talbot County, Maryland for the period beginning February 17, 2011 and ending March 23, 2014. 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 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. The reliability of data used in this report for background or informational purposes was not assessed.

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 and invoice processing 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.

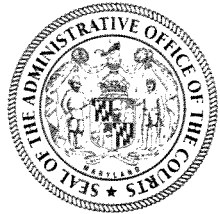
Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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 finding 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 finding is also regarded as 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**  
**ADMINISTRATIVE OFFICE OF THE COURTS.**  
**MARYLAND JUDICIAL CENTER**  
**580 TAYLOR AVENUE**  
**ANNAPOLIS, MARYLAND 21401**

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August 14, 2014

Mr. Thomas J. Barnickel III, CPA  
Legislative Auditor  
Office of Legislative Audits  
301 West Preston Street  
Baltimore, MD 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 Circuit Court for Talbot County, Maryland, for the period beginning February 17, 2011, and ending March 23, 2014. The following is our response to the audit finding and recommendation in the report:

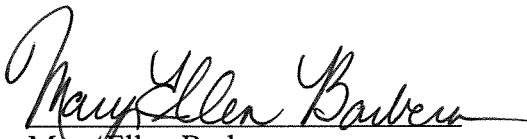
**Finding 1: Controls over cash receipts and employee access to related automated records were not sufficient, and certain reconciliations were not being completed.**

We concur with the finding and recommendations.

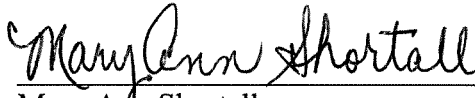
- a. Our revised process will ensure that Uniform Court System (UCS) output reports of non-cash credits and void transactions are reviewed by a Land Records Department employee who does not have system capabilities to process transactions. The output reports will be verified to supporting documentation and the reviews will be documented. The UCS system access of the two Land Records Department employees will be changed. The UCS Invoice Administrators role has been eliminated and the role of Invoice Create will be assigned, thus allowing them to be independent of the Invoice Void process. These employees will not have access to UCS cash receipts or have capabilities to process non-cash credit or void transactions.

- b. The Chief Deputy Clerk will review the UCS user access of employees quarterly. The Chief Deputy Clerk will also ensure that the UCS access of users from other agencies will be reviewed quarterly, in accordance with Judiciary policy.
- c. The Chief Deputy Clerk will routinely reconcile the collection activity recorded in the UCS, with the State's accounting records, as required.

Very truly yours,



Mary Ellen Barbera  
Chief Judge  
Court of Appeals



Mary Ann Shortall  
Clerk of the Circuit Court for  
Talbot County

cc: Hon. Broughton M. Earnest, Administrative Judge for Talbot County Circuit Court  
Pamela Q. Harris, State Court Administrator  
Faye D. Matthews, Deputy State Court Administrator  
Kathleen Wherthey, Assistant Administrator of Internal Affairs  
Ssali S. Luwemba, Director of Internal Audit

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