

Audit Report

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

October 2023



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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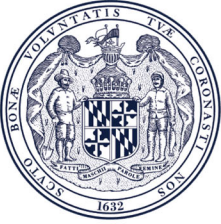
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

October 5, 2023

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, 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 November 5, 2019 and ending May 15, 2023. 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 perform documented independent verifications to ensure collections received were deposited.

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

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. In accordance with our policy, we have edited any vendor names or products mentioned by the Judiciary in this document.

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 'G' and 'H'.

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 collected to the applicable entities.

Financial Information

According to the State's accounting records, the Office's fiscal year 2022 revenues totaled \$3,293,429. These revenues were distributed in the following manner:

- \$1,095,594 was distributed to Caroline County and its incorporated municipalities, and
- \$2,197,835 (the remaining amount) represented revenues available to the State for purposes specified in various provisions of State law.

The majority of the Office's fiscal year 2022 expenditures, which totaled \$1,181,248 (see Figure 1 on the following page), were salaries and wages that were paid primarily from a general fund appropriation.

The Office also maintained custody of certain trust funds that, according to its records, had balances totaling \$89,854 as of April 30, 2023.

Figure 1
Office of the Clerk of Circuit Court for Caroline County
Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2022		
	Positions	Percent
Filled	11	100.0%
Vacant	0	0.0%
Total	11	
Fiscal Year 2022 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$1,131,886	95.8%
Operating Expenses	49,362	4.2%
Total	\$1,181,248	
Fiscal Year 2022 Funding Sources		
	Funding	Percent
General Fund	\$ 994,196	84.2%
Special Fund	128,269	10.8%
Reimbursable Fund	58,783	5.0%
Total	\$1,181,248	

Source: State financial and personnel records

Status of Finding From Preceding Audit Report

Our audit included a review to determine the status of the finding contained in our preceding audit report dated March 9, 2020. We determined that the Office satisfactorily addressed this finding.

Findings and Recommendations

Cash Receipts

Finding 1

The Office did not perform documented independent verifications to ensure collections received were deposited.

Analysis

The Office did not perform documented independent verifications to ensure collections received were deposited. While we were advised that independent deposit verifications were performed, our testing found that the process was not documented. Specifically, we judgmentally selected 20 daily collections totaling approximately \$180,000 during the period January 2022 through March 2023 and found that there was no documentation that the Office had performed independent verifications to ensure the monies were subsequently deposited. In addition, we determined that one of the two employees, who we were advised was responsible for performing the verifications, was not independent of the collection function. The Comptroller of Maryland's *Accounting Procedures Manual* requires independent verification of collections to deposit.

As a result, there was a lack of assurance that all Office collections were deposited. According to the Office's records, it collected \$1.3 million in checks and cash, primarily for land transactions, during the period July 1, 2022 through April 30, 2023.

Recommendation 1

We recommend that the Office ensure that an independent and documented verification of collections received to amounts deposited is performed. We advised the Office how to achieve 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 Caroline County, Maryland for the period beginning November 5, 2019 and ending May 15, 2023. 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), certain payroll activities, and bank accounts. 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 human resources and payroll activities, invoice processing, and maintenance of budgetary accounting records) are included within the scope of our audits of the Judiciary.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of November 5, 2019 to May 15, 2023, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of the Office's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us 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. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to the Office, were considered by us during the course of this audit.

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 a condition 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. 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 recommendation 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

BETSY L. BLOUGH
CHIEF DEPUTY

September 29, 2023

Mr. Gregory A. Hook, CPA
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21201

Dear Mr. Hook:

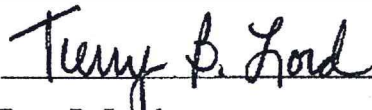
We have received the draft audit report pertaining to the Caroline County Circuit Court Clerk's Office for the period November 5, 2019 and ending May 15, 2023. The attached document contains our response to the finding and recommendation in the audit report.

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

Sincerely,



Judy K. Rupp
State Court Administrator



Terry B. Lord
Clerk of the Circuit Court for
Caroline County

Cc: Hon. Matthew J. Fader, Chief Justice
Hon. Heather Lynne Price, Administrative Judge, Caroline County Circuit Court
Nancy Faulkner, Deputy State Court Administrator
Stephane J. Latour, Managing Legal Counsel, Internal Affairs
Solomon Ayele, Director, Internal Audit

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

Agency Response Form

Cash Receipts

Finding 1

The Office did not perform documented independent verifications to ensure collections received were deposited.

We recommend that the Office ensure that an independent and documented verification of collections received to amounts deposited is performed. We advised the Office how to achieve the necessary separation of duties using existing personnel.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	Agree		
Recommendation 1	Agree	Estimated Completion Date:	06/08/2023
Please provide details of corrective action or explain disagreement.	<p>In response to the audit review finding regarding “no independent verification of the deposit”, we acknowledge that previously the person who prepared the deposit was also the person who would verify that the deposit was received from the bank. This occurred due to short staffing within the Clerk’s office, as our office had no dedicated Fiscal Clerk and limited staff who had conflicting duties. However, it has since been remedied by hiring a new employee who has knowledge of the Fiscal processes.</p> <p>The procedure which occurs now, effective as of June 8th, 2023, is that the Clerk of Court, or Chief Deputy Clerk are responsible for receipt of funds and preparing the bank deposit, which is then picked up by an armored courier. The Fiscal Clerk performs the verification of deposit and the reconciliation of funds both daily and monthly, which is all documented and initialed as per audit requirements. In addition, the deposits are logged in on an excel spreadsheet and this includes the verification date. This spreadsheet is maintained and updated by the Fiscal Clerk. A copy of the deposit validation is printed and attached with the daily work, and again is dated and initialed by the Fiscal Clerk, and an independent reviewer. Therefore, creating both a physical and electronic record of the validation. These are all reconciled at the end of the month as well with the Judiciary’s financial system, which is performed by the Fiscal Clerk. The deposit spreadsheet is printed and maintained</p>		

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

Agency Response Form

	<p>with the monthly work for audit purposes. An electronic record is also maintained in the shared drive for the month.</p> <p>We believe we have met all requirements so that one sole person is not handling all aspects, and an independent verification is occurring.</p>
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AUDIT TEAM

Mark S. Hagenbuch, CPA
Audit Manager

Dianne P. Ramirez
Senior Auditor

Marcus J. Cheese
Staff Auditor