

# Audit Report

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## Office of the Clerk of Circuit Court Anne Arundel County, Maryland

September 2024

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**OFFICE OF LEGISLATIVE AUDITS**  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

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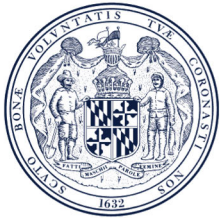
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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber  
Executive Director

September 17, 2024

Brian S. Tanen, CPA, CFE  
Legislative Auditor

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 Anne Arundel County, Maryland for the period beginning January 8, 2020 and ending January 19, 2024. 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 always perform documented independent verifications to ensure collections received were deposited. In addition, the Office did not ensure that adequate controls existed for check disbursements from its trust fund bank accounts. As a result, amounts could be misappropriated from these accounts without immediate detection.

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 findings and related recommendations, 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,

*Brian S. Tanen*

Brian S. Tanen, CPA, CFE  
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, Anne Arundel 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 2023 revenues totaled \$43,884,171. These revenues were distributed in the following manner:

- \$1,304,036 was distributed to Anne Arundel County and its incorporated municipalities, and
- \$42,580,135 (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 2023 expenditures, which totaled \$12,662,245 (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 \$1,582,647 as of December 31, 2023.

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

Full-Time Equivalent Positions as of June 30, 2023		
	Positions	Percent
Filled	126	96.2%
Vacant	5	3.8%
<b>Total</b>	<b>131</b>	
Fiscal Year 2023 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$12,041,399	95.1%
Operating Expenses	620,846	4.9%
<b>Total</b>	<b>\$12,662,245</b>	
Fiscal Year 2023 Funding Sources		
	Funding	Percent
General Fund	\$10,625,349	83.9%
Special Fund	1,783,885	14.1%
Reimbursable Fund	253,011	2.0%
<b>Total</b>	<b>\$12,662,245</b>	

Source: State financial and personnel records

## Findings and Recommendations

### Cash Receipts

#### **Finding 1**

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

#### **Analysis**

The Office did not always perform documented independent verifications to ensure collections received were deposited. We arbitrarily selected 15 daily collections totaling approximately \$1.1 million during the period from May 2023 through October 2023. Our review of these collections disclosed that there was

no documentation of a deposit verification for 10 of the days tested with related collections totaling \$851,353, and for 4 other days totaling \$185,867 the deposit verifications were performed by employees that had access to the related collections. As a result, there was a lack of assurance that all Office collections were deposited. Our testing did not disclose any discrepancies between amounts collected and the subsequent deposits.

The Comptroller of Maryland's *Accounting Procedures Manual* requires independent verification of collections to deposit. According to the Office's records, during fiscal year 2023 it collected \$43.9 million, primarily for land transactions, including \$24.1 million in cash and checks and \$19.8 million received electronically (online and credit card).

#### **Recommendation 1**

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

### **Trust Funds**

#### **Finding 2**

**The Office did not establish adequate controls over disbursements from trust fund bank accounts.**

#### **Analysis**

The Office did not establish adequate controls over disbursements from trust fund bank accounts. The Office maintained two trust fund bank accounts for court related activity such as collection and subsequent disbursements of criminal bond amounts to payees based on a court order. Our review disclosed that three employees who were authorized to sign checks for disbursements from the accounts also had unrestricted access to blank checks. In addition, the checks, which were processed through the Maryland Electronic Courts management system, only required one signature by the authorized employees. As a result, one employee could unilaterally disburse funds from the account without any additional oversight.

During fiscal year 2023 disbursements from the accounts totaled approximately \$1 million. Our test of ten disbursements made during the period January 2023 through October 2023 totaling \$529,696, (selected based on materiality) did not disclose any improper disbursements. The Comptroller of Maryland's *Accounting*

*Procedures Manual* and the Clerk of Court *Accounting Manual* both require adequate segregation of duties for check disbursements.

## **Recommendation 2**

**We recommend that the Office ensure employees authorized to sign checks do not have unrestricted access to blank checks and consider implementing a dual signature process for checks.**

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

We have conducted a fiscal compliance audit of the Office of the Clerk of Circuit Court for Anne Arundel County, Maryland for the period beginning January 8, 2020 and ending January 19, 2024. 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 access over the automated receipt system), certain payroll activities, and bank accounts.

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 January 8, 2020 to January 19, 2024, 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 findings 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. The findings are also considered 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 response from the Judiciary, 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



*Scott A. Poyer, Clerk*  
Circuit Court for Anne Arundel County  
8 Church Circle  
Annapolis, MD 21401

September 10, 2024

Mr. Brian S. Tanen, CPA, CFE  
Legislative Auditor  
Office of Legislative Audits  
The Warehouse at Camden Yards  
351 West Camden Street, Suite 400  
Baltimore, Maryland 21201


Dear Mr. Tanen:

We have received the Office of Legislative Auditor's Draft Audit Report pertaining to the Anne Arundel County Circuit Court Clerk's Office for the period beginning January 8, 2020 and ending January 19, 2024.

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

Sincerely,

  
\_\_\_\_\_  
Judy K. Rupp  
State Court Administrator

  
\_\_\_\_\_  
Scott A. Poyer  
Clerk of the Circuit Court for  
Anne Arundel County

cc: Hon. Matthew J. Fader, Chief Justice  
Hon. Donna M. Schaeffer, Administrative Judge for Anne Arundel County  
Nancy Faulkner, Deputy State Court Administrator  
Stephane J. Latour, Managing Legal Counsel  
Solomon Ayele, Internal Audit Director

**Office of the Clerk of Circuit Court  
Anne Arundel County, Maryland**

**Agency Response Form**

**Cash Receipts**

**Finding 1**

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

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

<b>Agency Response</b>			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 1</b>	<b>Agree</b>	<b>Estimated Completion Date:</b>	<b>12/2023</b>
<b>Please provide details of corrective action or explain disagreement.</b>	Based on recommendations received from our previous internal AOC audit, we implemented improved documentation of independent verifications in December 2023. The Office will ensure that the verification is performed by an independent employee.		

**Office of the Clerk of Circuit Court  
Anne Arundel County, Maryland**

**Agency Response Form**

**Trust Funds**

**Finding 2**

**The Office did not establish adequate controls over disbursements from trust fund bank accounts.**

**We recommend that the Office ensure employees authorized to sign checks do not have unrestricted access to blank checks and consider implementing a dual signature process for checks.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 2</b>	Agree	<b>Estimated Completion Date:</b>	7/2024
<b>Please provide details of corrective action or explain disagreement.</b>	Blank checks, which are currently kept inside the controlled access vault within the controlled access Fiscal department, will now have the additional protection of being inside a locked box that only two fiscal clerks have access to. We also agree to consider implementing dual signature for checks.		

AUDIT TEAM

**Mark S. Hagenbuch, CPA**  
Audit Manager

**Sporthi J. Cernelio**  
Senior Auditor

**Ali A. Dayya**  
Staff Auditor