

Audit Report

**Office of the Clerk of Circuit Court
Queen Anne's County, Maryland**

May 2024



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

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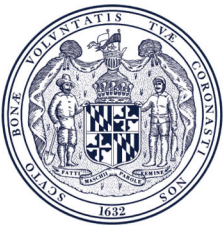
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

May 17, 2024

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 Queen Anne's County for the period beginning January 21, 2020 and ending August 31, 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 the Office did not perform documented independent verifications to ensure collections received were deposited.

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 the Judiciary's response to remove vendor names or products.

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,

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, Queen Anne's 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 2023 revenues totaled \$18,237,668. These revenues were distributed in the following manner:

- \$12,209,550 was distributed to Queen Anne's County and its incorporated municipalities,
- \$18,619 was distributed to others, and
- \$6,009,499 (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 \$1,710,411 (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 \$9,206 as of July 31, 2023.

Figure 1
Office of the Clerk of Circuit Court for Queen Anne’s County
Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2023		
	Positions	Percent
Filled	15	93.8%
Vacant	1	6.2%
Total	16	
Fiscal Year 2023 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$1,647,099	96.3%
Operating Expenses	63,312	3.7%
Total	\$1,710,411	
Fiscal Year 2023 Funding Sources		
	Funding	Percent
General Fund	\$1,584,224	92.6%
Special Fund	121,072	7.1%
Reimbursable Fund	5,115	0.3%
Total	\$1,710,411	

Source: State financial and personnel records

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 deposit verifications were performed, we determined that the two employees responsible for performing the verifications were not independent of the collection function.

In addition, our testing found that the process was not documented. Specifically, we judgmentally selected 16 daily collections totaling \$278,904 during the period January 2022 through August 2023 and found that there was no documentation that the Office had performed independent verifications to ensure the collections were subsequently deposited. 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. Our aforementioned test of 16 daily collections did not disclose any discrepancies between amounts collected and the subsequent deposits. According to the Office's records, in fiscal year 2023 it collected \$6.2 million in checks and cash, primarily for land transactions.

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 Queen Anne's County, Maryland for the period beginning January 21, 2020 and ending August 31, 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.

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 21, 2020 to August 31, 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



The Circuit Court for Queen Anne's County

Katherine B. Hager
Clerk of Court

200 N. Commerce Street
Centreville, Maryland 21617
410-758-1773 ext. 5116
1-800-987-7591

Douglas Arnold, Chief Deputy Clerk

May 14, 2024

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:

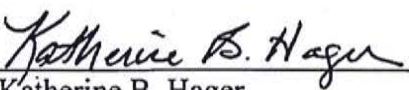
We have received the draft audit report pertaining to the Queen Anne's County Circuit Court Clerk's Office for the period January 21, 2020 to August 31, 2023. The attached document contains our responses to the findings and recommendations in the audit report.

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

Sincerely,



Judy K. Rupp
State Court Administrator



Katherine B. Hager
Clerk of the Circuit Court for
Queen Anne's County

Cc: Hon. Matthew J. Fader, Chief Judge
Hon. C. Lynn Knight, Administrative Judge, Queen Anne's 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
Queen Anne’s 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.	A review of the daily deposit slip to the daily collections, subsequently to the daily deposit to the armored courier (to the bank) was performed daily, however it was not performed by an independent reviewer. Fiscal clerk(s) and a Clerk Supervisor were both performing these reviews daily, as staffing levels at the time did not allow for a truly independent review. As a compensating control to the internal review at the Clerk’s office, the Administrative Office of the Courts Department of Budget and Finance (AOC) receive the deposit information from the bank and compares it to the deposit totals reported by our office. Any discrepancy would have prompted an immediate explanation.		
Recommendation 1	Agree	Estimated Completion Date:	09/07/2023
Please provide details of corrective action or explain disagreement.	The Sr. Supervisor, who is independent of the collection process, verifies the daily work total collections report; deposit ticket; and the daily bank deposit report received from the Administrative Office of the Courts Department of Budget and Finance. This employee is ensuring all the deposit totals match and signs and dates these reports as proof of verification.		

AUDIT TEAM

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