

Audit Report

**Office of the Register of Wills
Allegany County, Maryland**

September 2007



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA
Legislative Auditor

September 18, 2007

Delegate Steven J. DeBoy Sr., Co-Chair, Joint Audit Committee
Senator Nathaniel J. McFadden, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Office of the Register of Wills for Allegany County, Maryland for the period beginning November 3, 2004 and ending July 8, 2007.

Our audit disclosed that the Office's procedures for verifying that all recorded collections were deposited were not sufficient.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Office of the Register of Wills is a public office established under the Constitution of Maryland. An office is established in each of the 24 Maryland subdivisions. These offices oversee the administration of decedents' estates within their jurisdictions and provide assistance (such as providing the proper forms) to individuals administering estates. The offices collect inheritance taxes and other fees as provided by law. These fees, as well as the commissions earned by an office on inheritance tax collections, are generally used to finance that office's operating expenses. Inheritance tax collections (less the applicable commissions) and any fees and commissions in excess of operating expenses are remitted to the State's General Fund. On a collective basis, the offices' fees and commissions that exceed their operating expenses are retained by the General Fund. In the event that an individual office's fees and commissions are not sufficient to finance its operating expenses, the difference is paid from the General Fund.

Financial Information

According to the Office's records, the Office's fiscal year 2007 gross receipts totaled \$1,324,638. These receipts were distributed in the following manner:

- \$922,600 in inheritance tax collections were remitted to the General Fund;
- \$402,038 in fees and commissions were disbursed for operating expenses and refunds, or remitted to the General Fund.

The Office's fiscal year 2007 operating expenses totaled \$351,844.

Findings and Recommendations

Cash Receipts

Finding 1

Adequate verification procedures were not performed to ensure that all recorded collections were deposited.

Analysis

The Office had not established adequate verification procedures to ensure that all recorded collections were deposited. Specifically, amounts deposited per the

validated deposit slips were not agreed to the documents prepared to initially record collections. Additionally, these verifications were not always documented. Our test of 20 deposits, totaling approximately \$18,300, during fiscal years 2006 and 2007 disclosed that, for 7 deposits totaling approximately \$2,400, there was no evidence that independent verifications of deposits had been performed.

As a result of these deficiencies, errors or irregularities could occur without detection. The Comptroller of the Treasury's *Accounting Procedures Manual* requires that an employee independent of the cash receipts function trace collections from the initial point of recordation to the related validated deposit slips. During fiscal year 2007, the Office's collections totaled approximately \$1.3 million.

Recommendation 1

We recommend that the Office perform independent verifications of deposits by comparing the validated deposit slips to the documents of initial recordation of collections. We also recommend that the Office document all such verifications.

Audit Scope, Objectives, and Methodology

We have audited the Office of the Register of Wills for Allegany County, Maryland for the period beginning November 3, 2004 and ending July 8, 2007. The audit was conducted in accordance with generally accepted government auditing standards.

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 materiality and risk. 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. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

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 related 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. Our audit did not disclose any significant instances of noncompliance with applicable laws, rules or regulations. Another less significant finding was communicated to the Office that did not warrant inclusion in this report.

The Office's response 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 Office regarding the results of our review of its response.

APPENDIX



STATE OF MARYLAND
REGISTER OF WILLS FOR ALLEGANY COUNTY, MARYLAND

REBECCA D. DREW
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September 10, 2007

Bruce A. Myers, CPA
Legislative Auditor
State of Maryland
Office of Legislative Audits
301 W. Preston Street
Room 1202
Baltimore, Maryland 21201

Dear Mr. Myers:

During the recent audit period beginning on November 3, 2004, and ending July 8, 2007, it was brought to my attention that adequate verification procedures were not performed to ensure that all recorded collections were deposited.

Previously, three employees were involved in the daily process of making deposits of funds collected. Deputy Register No. 1 prepared the deposit slip from the daily receipts. The Chief Deputy then reviewed and verified the deposit slip with the daily receipts. I, then make the actual deposit of funds at the financial institution. Once I returned from making the bank deposit, I delivered the bank deposit slip to the Chief Deputy, who then verified the bank deposit slip to the daily receipts. A check mark was usually made on the bank deposit slip by the Chief Deputy.

Since discussing this matter with the senior auditor, I have instructed the Chief Deputy to verify the validated bank deposit slip to the daily receipts and then initial the bank deposit slip.

Having implemented these procedures appears to fully comply with the recommendations of your office.

Sincerely,

A handwritten signature in cursive script that reads "Rebecca D. Drew".

Rebecca D. Drew

AUDIT TEAM

Mark A. Ermer, CPA
Audit Manager

Susanne M. Anacker
Senior Auditor