

Audit Report

**Office of the Register of Wills
Anne Arundel County, Maryland**

August 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

August 6, 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 Anne Arundel County, Maryland for the period beginning February 18, 2004 and ending April 18, 2007.

Our audit disclosed that verifications were not performed to ensure that all recorded collections were subsequently deposited.

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 2006 gross receipts totaled \$4,819,203. These receipts were distributed in the following manner:

- \$3,142,877 in inheritance tax collections were remitted to the General Fund;
- \$1,676,326 in fees and commissions were disbursed for operating expenses and refunds, or remitted to the General Fund.

The Office's fiscal year 2006 operating expenses totaled \$1,228,241.

Findings and Recommendations

Cash Receipts

Finding 1

Internal controls over collections received in the mail were inadequate.

Analysis

The Office did not have adequate procedures to verify that collections received through the mail were deposited. Specifically, collections received in the mail

were recorded on a check log upon receipt. The collections were subsequently forwarded to another employee for recordation on the Office's automated cash receipts system. Although receipts recorded on the automated cash receipts system were verified to deposit, there was no verification that the receipts initially recorded on the mail check log were subsequently entered on the automated cash receipts system. Based on amounts recorded on the Office's check log for three months of fiscal year 2007, we estimate that about one-half of the Office's collections are received in the mail.

Recommendation 1

We recommend that an employee independent of the collection and deposit functions verify that all mail collections initially recorded on the check log were deposited. We advised the Office on accomplishing the necessary separation of duties using existing personnel.

Audit Scope, Objectives, and Methodology

We have audited the Office of the Register of Wills for Anne Arundel County, Maryland for the period beginning February 18, 2004 and ending April 18, 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 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. Our audit did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

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

REGISTER OF WILLS

ANNE ARUNDEL COUNTY

CIRCUIT COURTHOUSE
CHURCH CIRCLE - P.O. BOX 2368
ANNAPOLIS, MARYLAND 21404-2368
410-222-1430 - FAX 410-222-1467
TOLL FREE 1-800-679-6665

July 31, 2007

Re: Audit Report Period of Audit
February 18, 2004 – April 18, 2007



LAUREN M. PARKER
REGISTER

Bruce A. Myers, CPA
Legislative Auditor
Department of Legislative Services
Office of Legislative Audits
Maryland General Assembly
301 West Preston Street
Room 1202
Baltimore, MD 21201

Dear Mr. Myers:

This is to acknowledge your letter dated July 11, 2007, together with a draft of our Audit Report for the above referenced period.

In answer to your findings #1 and Recommendation #1 in the Financial information section of the Draft Audit Report:

The Office will be implementing your recommendation that an employee independent of the collection and deposit function (such as Rhonda Herold and Kay Gertz) will verify that all recorded mail collections initially recorded on the check log have been deposited.

Hopefully, this correction will conclude our audit in a successful and satisfactory manner.

Thank you for your cooperation,

I remain,

Very truly yours,

Lauren M. Parker
Register of Wills

AUDIT TEAM

Phyllis M. Clancy, CPA
Audit Manager

Carlton A. Sexton
Senior Auditor