Audit Report

Office of the Register of Wills
Frederick County, Maryland

October 2010

OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

Bruce A. Myers, CPA
Legislative Auditor

October 1, 2010

Senator Verna L. Jones, Co-Chair, Joint Audit Committee
Delegate Steven J. DeBoy Sr., 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 Frederick County, Maryland for the period beginning June 28, 2007 and ending June 30, 2010. The Office oversees the administration of decedents' estates within Frederick County and assists individuals who administer estates.

Our audit disclosed that procedures and controls over disbursements need to be strengthened.

We wish to acknowledge the cooperation extended to us by the Office during the course of this audit.

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 2010 gross receipts totaled $2,612,291. These receipts were distributed in the following manner:

- $1,777,740 in inheritance tax collections was remitted to the General Fund;
- $834,551 in fees and commissions was disbursed for operating expenses and refunds, or remitted to the General Fund.

The Office's fiscal year 2010 operating expenses totaled $618,258.

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 October 19, 2007. We determined that the Office satisfactorily addressed this finding.

Findings and Recommendations

Disbursements

Finding 1
The Office lacked adequate procedures and controls over disbursements.

Analysis
The Office lacked adequate procedures and controls over disbursements. Specifically, the employee who was the custodian of the checkbook also prepared the checks and prepared the bank reconciliations. Although we were advised by management that supporting documentation for each check, as well as the monthly bank reconciliations, were reviewed by supervisory personnel, these reviews were often not documented. For example, our test of 14 bank reconciliations, for the period from April 2009 through May 2010, disclosed that there was no documentation of supervisory reviews for 10 of the reconciliations. Consequently, improper disbursements would not be readily detected.

According to the Office's records, during fiscal year 2010, the Office processed collections totaling approximately $2.6 million, all of which was subsequently disbursed for operating expenses and refunds or remitted to the State's General Fund. The Comptroller of Maryland's *Accounting Procedures Manual* requires that duties be properly segregated and that supporting documentation be reviewed by authorized personnel to ensure that disbursements are properly processed and accounted for.

Recommendation 1
We recommend that supervisory personnel review and approve the documentation supporting each disbursement, as well as the bank reconciliations, and that all such reviews be documented.

Audit Scope, Objectives, and Methodology

We have audited the Office of the Register of Wills for Frederick County, Maryland for the period beginning June 28, 2007 and ending June 30, 2010. 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. We also determined the status of the finding contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by the audit included cash receipts, cash disbursements, bank accounts, and administration of estates. 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.

Our audit disclosed a finding 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 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 Office regarding the results of our review of its response.

APPENDIX

Register of Wills

Frederick County

VIRGINIA P. FIFER
Register

Christopher R. Manners
Chief Deputy

(301) 600-6565

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(301) 1-888-258-0526

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September 28, 2010

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

Re: Draft Audit Report on the Office of the Register of Wills for Frederick County Beginning 06/28/07, Ending 06/30/10

Dear Mr. Myers:

In reviewing the above draft audit report, dated September 2010, I stand by my response to the Discussion Notes (copy enclosed), and accept the audit findings and recommendations as filed, however, I am also enclosing a narrative to explain the circumstances which existed prior to the auditor's findings.* I also state that the auditor's recommendations as to procedure were implemented before he left our office. Further, since his leaving, we have put our procedures in a written office procedures document.

Thank you.

Sincerely,

Virginia P. Fifer

Virginia P. Fifer
Register of Will

Enclosures

***Documents received, but excluded for printing purposes.**

County Court House
100 West Patrick Street
Frederick, MD 21701-5485

AUDIT TEAM

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Audit Manager

John F. Nogel, CFE
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