

Audit Report

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

December 2009

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**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

December 15, 2009

Delegate Steven J. DeBoy Sr., Co-Chair, Joint Audit Committee  
Senator Verna L. Jones, 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 Wicomico County, Maryland for the period beginning August 14, 2006 and ending August 4, 2009. The Office oversees the administration of decedents' estates within Wicomico County and assists individuals who administer estates.

Our audit disclosed that the Office lacked adequate controls over collections and disbursements and did not perform a documented review of bank reconciliations.

The Office's response to this audit is included as an appendix to this report. 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 2009 gross receipts totaled \$902,465. These receipts were distributed in the following manner:

- \$523,339 in inheritance tax collections was remitted to the General Fund;
- \$379,126 in fees and commissions was disbursed for operating expenses and refunds, or remitted to the General Fund.

The Office's fiscal year 2009 operating expenses totaled \$372,617.

## **Findings and Recommendations**

### **Collections and Disbursements**

#### **Finding 1**

**The Office lacked adequate procedures and controls over collections and disbursements.**

#### **Analysis**

The Office lacked adequate procedures and controls over collections and disbursements. Specifically, our review disclosed that one employee was involved in the collection of Office receipts, prepared and signed disbursement checks, could adjust accounts receivable records, and prepared the bank reconciliations. Because of limited Office personnel, these critical duties could not be adequately segregated. In this regard, we were advised that an employee independent of the bank reconciliation process reviewed the bank reconciliations to ensure propriety of the aforementioned activity; however, the reviews were not documented. As a result, there was a lack of assurance that all collections and disbursements, which totaled \$902,465 during fiscal year 2009, were properly processed and accounted for.

#### **Recommendation 1**

**We recommend that an independent employee review the accounting records, including the monthly bank reconciliations, to ensure the propriety of the Office's collections and disbursements, and that such reviews be documented.**

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

We have audited the Office of the Register of Wills for Wicomico County, Maryland for the period beginning August 14, 2006 and ending August 4, 2009. 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. The areas addressed by the audit included cash receipts, cash disbursements, bank accounts, and administration of estates.

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.

Our audit disclosed 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 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



**Karen A. Lemon**

*Register of Wills for Wicomico County*

*Courthouse, P.O. Box 787  
Salisbury, Maryland 21803-0787*

*410-543-6635 • Fax 410-334-3440  
Toll free within Md. 1-888-786-0018*

*December 11, 2009*

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

*Dear Mr. Myers,*

*I would like to take this opportunity to provide a written response to your Findings and Recommendations of the recent Legislative Audit of my office.*

*In response to the Collections and Disbursements Finding #1:*

***“The office lacked adequate procedures and controls over collections and disbursements. Specifically, our review disclosed that one employee was involved in the collection of Office receipts, prepared and signed disbursement checks, could adjust accounts receivable records, and prepared the bank reconciliations. Because of limited Office personnel, these critical duties could not be adequately segregated. In this regard, we were advised that an employee independent of the bank reconciliation process reviewed the bank reconciliations to ensure propriety of the aforementioned activity; however, the reviews were not documented. As a result, there was a lack of assurance that all collections and disbursements, which totaled \$902,465 during fiscal year 2009, were properly processed and accounted for.”***

*As explained, I verify the daily cash activity report with the bank deposit and confirm that the receipt numbers are in sequence. I review the cash activity report monthly, reviewing all receipts and disbursements and verifying that the money in the PNC Bank account and LGIP account balance with the cash on hand on the report. By signing the report as Register, I am assuring that all collections and disbursements are properly processed and accounted for.*

*As discussed, I will sign the bank statement in order to adhere to the recommendations in the audit.*

*Letter to Mr. Bruce Myers  
December 11, 2009  
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*I trust my response has fully addressed the finding of the  
Legislative Audit.*

*Sincerely,*

A handwritten signature in cursive script that reads "Karen A. Lemon". The signature is written in black ink and is positioned above the printed name and title.

*Karen A. Lemon,  
Register of Wills for Wicomico County*

AUDIT TEAM

**Brian S. Tanen, CPA, CFE**  
Audit Manager

**Ken H. Johanning, CFE**  
Senior Auditor

**R. Frank Abel, CPA, CFE**  
Staff Auditor