

Audit Report

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

July 2018

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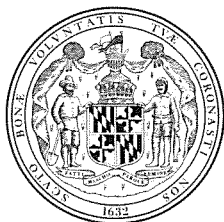
**OFFICE OF LEGISLATIVE AUDITS**  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber  
Executive Director

Thomas J. Barnickel III, CPA  
Legislative Auditor

July 11, 2018

Senator Craig J. Zucker, Co-Chair, Joint Audit Committee  
Delegate C. William Frick, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Office of the Register of Wills for Calvert County, Maryland for the period beginning January 5, 2015 and ending May 3, 2018. The Office oversees the administration of decedents' estates within Calvert County and assists individuals who administer estates.

Our audit disclosed the Office had not established adequate accountability and control over its disbursements.

The Office's response to this finding is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by the Office.

Respectfully submitted,

Thomas J. Barnickel III, CPA  
Legislative Auditor



## **Background Information**

### **Agency Responsibilities and Financial Information**

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.

Inheritance tax collections (less the commissions earned by an office on those collections) are remitted to the State's General Fund. The fees collected and commissions earned by an office are first used to finance the operating expenses it is responsible for paying directly. Generally, the remaining balance of fees and commissions is periodically remitted to the Comptroller of Maryland to finance other operating expenses (such as payroll) that the Comptroller pays on behalf of the offices. On a collective basis, the offices' fees and commissions that exceed their operating expenses are credited to the General Fund.

According to the records of the Office of the Register of Wills for Calvert County, its fiscal year 2017 gross receipts totaled \$717,565, which consisted of inheritance tax collections (net of commissions) of \$442,164 and fees and commissions of \$275,401. The Office's fiscal year 2017 operating expenses totaled \$603,958.

## **Findings and Recommendations**

### **Disbursements**

#### **Finding 1**

**The Office had not established adequate controls over its disbursements.**

#### **Analysis**

The Office had not established adequate controls over its disbursements. The Office maintained a bank account for depositing daily cash receipts and for making all related disbursements. According to the Office's records, during fiscal year 2017, the Office processed collections totaling approximately \$718,000, all of which were subsequently disbursed for operating expenses or remitted to the State's General Fund. Our review disclosed the following conditions:

- Monthly bank account reconciliations were not reviewed by independent supervisory personnel. This is significant because the employees who prepared the bank reconciliation could also process disbursements in the Register of Wills (ROW) system and had access to blank check stock.
- One employee could process disbursements on the ROW system, had access to the check stock, and was an authorized signer on the checks. As a result, this employee could process disbursements and it would not be readily detected. Office management advised us that this employee did not normally process disbursements but has the access in the event one of the other employees is absent. However, there were several individuals who had check processing capabilities so this access did not appear warranted.
- The Office did not restrict access to the blank check stock. Specifically, all of the Office employees had access to the check stock including four who were involved in the related disbursement or check signing process. For example, two authorized check signers had access to the blank checks.

The Comptroller of Maryland's *Internal Control Manual for Use by State Departments and Independent Agencies* requires bank reconciliations to be performed by employees independent of the related disbursement process, an independent party to sign the checks, and blank checks to be properly safeguarded.

### **Recommendation 1**

**We recommend that the Office ensure**

- a. an independent supervisory review is performed of monthly bank reconciliations and documented,**
- b. the check signing and check processing capabilities are properly segregated, and**
- c. access to the blank check stock is adequately restricted.**

**We advised the Office on accomplishing 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 Register of Wills for Calvert County, Maryland for the period beginning January 5, 2015 and ending May 3, 2018. 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, disbursements, bank accounts, and administration of estates.

Our audit did not include a review of certain support services (such as payroll, maintenance of accounting records, and related fiscal functions) provided to the Office by the Comptroller of Maryland – Office of the Comptroller. These support services are included within the scope of our audits of the Office of the Comptroller.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the Office's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests 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 objectives. The reliability of data used in this report for background or informational purposes was not assessed.

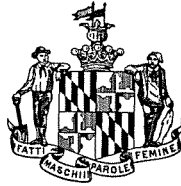
The Office's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

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 conditions that we consider to be significant deficiencies 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. Another less significant condition was communicated to the Office that did not warrant inclusion in this report.

The Office's response to our finding 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.



*Register of Wills for Calvert County*

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Margaret H. Phipps  
Register

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June 29, 2018

Mr. Thomas J. Barnickel III, CPA  
Legislative Auditor  
Office of Legislative Audits  
State Office Building, Room 1202  
301 West Preston Street  
Baltimore, Maryland 21201

Re: Register of Wills for Calvert County

Dear Mr. Barnickel:

In response to the Findings and Recommendations for my office, I hereby offer the following:

- (a) Monthly bank account reconciliations are thoroughly reviewed by me, the Register. I go over the reconciliation with my bookkeeper before any checks are prepared and signed, to assure everything is correct and balances. Funds are deposited daily into a savings account and transferred to the checking account when time to pay bills. I learned from the Auditor that because I did not initial the reconciliation, they had no way to tell I had performed that task. I am now initialing everything!
- (b) The employee that was authorized signor on the checks is my Chief Deputy (the only logical person to assume this responsibility, in my absence). He only signs checks when I am not available, ex. I was out on medical leave when monthly reports were due, so he had to sign the reports and checks to stay in compliance with State procedures. All checks are prepared by the bookkeeper. Further, during our audit time, my bookkeeper (who is now retired) was training her replacement, consequently there appeared to be more individuals involved than actually are. Our process is as follows: (1) Bookkeeper has access to check stock and ability to write checks; (2) Register reviews and signs all check; (3) Chief Deputy fills in for Register, in an emergency.
- (c) Blank check stock has always been kept in the vault, for security reasons, under the supervision of the bookkeeper. I will continue to keep blank check stock in the vault, however it is now in a locked box, under the supervision of the bookkeeper.

I trust this will satisfactorily address the issues presented.

Sincerely,

Margaret H. Phipps  
Register

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