Audit Report

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

June 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

June 14, 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 Allegany County, Maryland for the period beginning July 9, 2007 and ending March 21, 2010. The Office oversees the administration of decedents' estates within Allegany County and assists individuals who administer estates.

Our audit disclosed that employee duties were not adequately separated to establish adequate controls over the disbursement process.

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 $817,279. These receipts were distributed in the following manner:

- $432,112 in inheritance tax collections was remitted to the General Fund;
- $385,167 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 $430,777.

## 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 September 18, 2007. We determined that the Office satisfactorily addressed this finding.

# Findings and Recommendations

## Disbursements

**Finding 1**
**Employee duties relating to disbursements were not adequately separated.**

**Analysis**
Employee duties relating to the processing of disbursements were not adequately separated. Specifically, one employee had access to the Office's checkbook, and prepared and signed checks. This employee was also responsible for preparing the related bank reconciliations. As a result, this employee had complete control over the disbursement process, and errors or other discrepancies could occur without timely detection. During fiscal year 2009, checks processed by the Office totaled $817,279.

**Recommendation 1**
**We recommend that employee duties relating to the processing of disbursements be adequately separated. Specifically, we recommend that**

**a. the employee who maintains the checkbook and prepare the checks not be authorized to sign checks, and**
**b. the employee who prepares the bank reconciliations not have the ability to prepare and sign checks.**

**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 Allegany County, Maryland for the period beginning July 9, 2007 and ending March 21, 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 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.

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**

# STATE OF MARYLAND
## REGISTER OF WILLS FOR ALLEGANY COUNTY, MARYLAND

REBECCA D. DREW
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June 10, 2010

Bruce A. Myers, CPA
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 July 9, 2007 and ending March 21, 2010, it was brought to my attention that employee duties were not adequately separated to establish adequate controls over the disbursement process.

Previously, two employees were involved in the process of authorizing disbursements, as well as preparing payment for said disbursements. As you have acknowledged in your recent analysis, the office personnel is limited to a staff of four deputy registers. Responsibilities for deputies vary based on their individual capabilities and classification. Although only two employees, the Register and Chief Deputy, were involved in the process of disbursements, at no time did I, as the Register, or the Chief Deputy both prepare and sign the checks for any given disbursement.

Since discussing this matter with the senior auditor, the Register has discontinued the reconciliation of the business checking account and the Chief Deputy has discontinued the preparation of the checks. With these procedural changes, the Register will be able to continue to verify that all disbursements made are within the guidelines as established by the Maryland Department of General Services; however, the actual preparation of all checks are not performed by a deputy register that is without the ability to sign checks, or reconcile the bank account.

Additionally, the duties of the PC Administrator, which include complete control over the receipts and disbursement process, has been re-assigned to a deputy that does not have the ability to generate receipts.

Implementing the new procedures appears to fully comply with the recommendations of your office.

Sincerely,

Rebecca D. Drew

Rebecca D. Drew
Register of Wills for Allegany County, MD

## AUDIT TEAM

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Audit Manager

**Rick E. Pyles**
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