

Audit Report

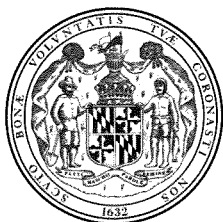
**Office of the Register of Wills
Baltimore City, Maryland**

January 2015



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

Thomas J. Barnickel III, CPA
Legislative Auditor

January 29, 2015

Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate Craig J. Zucker, 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 Baltimore City, Maryland for the period beginning December 28, 2011 and ending August 14, 2014. The Office oversees the administration of decedents' estates within Baltimore City and assists individuals who administer estates.

Our audit disclosed that the Office routinely paid two part-time employees for hours not actually worked. In addition, we noted that controls over collections were not sufficient to ensure all receipts were deposited.

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,

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 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 Baltimore City, its fiscal year 2014 gross receipts totaled \$4,610,021, which consisted of inheritance tax collections (net of commissions) of \$3,029,207 and fees and commissions of \$1,580,814. The Office's fiscal year 2014 operating expenses totaled \$2,938,513.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of four findings contained in our preceding audit report dated October 12, 2012. We determined that the Office satisfactorily addressed three of these findings. The remaining finding is repeated in this report.

Findings and Recommendations

Payroll

Finding 1

The Office overpaid two part-time housekeepers approximately \$8,300 over a one-year period.

Analysis

The Office overpaid two employees approximately \$8,300 during the period from July 10, 2013 through July 22, 2014. For a number of years, the Office has employed two housekeepers to work a maximum of three hours each day to provide daily cleaning services, such as vacuuming, dusting, and trash removal. However, the employees were frequently paid for working an eight-hour shift even though their timesheets reflected they had only worked three-hour shifts. Furthermore, the Office could not locate timesheets for these employees for the period from December 12, 2012 through July 9, 2013 (15 pay periods). Consequently, we were unable to determine if these employees were appropriately paid during this period.

A similar condition regarding overpayments to these two employees was commented upon in our preceding audit report. As a result of that audit, the Office reclassified the employees as part-time; however, the overpayments continued because of a misunderstanding in how time was to be recorded for these part-time employees.

Recommendation 1

We recommend that the Office

- a. ensure that employees are paid only for hours worked (repeat),**
- b. maintain timesheets for all employees as required,**
- c. investigate the aforementioned missing timesheets and determine total overpayments to these two employees, and**
- d. consult with legal counsel to determine the extent to which overpayments can be recovered.**

Collections

Finding 2

Controls over collections were not sufficient to ensure all receipts were deposited.

Analysis

The Office had not established adequate controls over collections to ensure all receipts were deposited. According to the Office's records, collections totaled approximately \$4.6 million during fiscal year 2014, consisting of cash, checks, and money orders received through the mail or collected on site from customers paying in person. These collections consisted primarily of inheritance taxes and other fees associated with the administration of estates.

- The Office did not restrictively endorse and record checks received through the mail immediately upon receipt. Instead, all mail was held until the following day, at which time it was opened and checks were restrictively endorsed and recorded on a log. Although unopened mail was secured in an office until the next day, several employees still had access to the collections.
- The Office lacked an independent verification of the initial record of cash receipts to validated bank documentation. Specifically, one of the employees who performed the verifications also had access to cash. Consequently, there was a lack of assurance that all collections had been deposited.

Recommendation 2

We recommend that the Office

- restrictively endorse and record all checks immediately upon receipt, and**
- ensure that an employee who does not have access to collections verifies the initial record of collections received to validated bank documentation.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Office of the Register of Wills for Baltimore City, Maryland for the period beginning December 28, 2011 and ending August 14, 2014. 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, cash disbursements, bank accounts, payroll, and administration of estates. We also determined the status of the findings contained in our preceding audit report. 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. The reliability of data used in this report for background or informational purposes was not assessed.

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

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 findings 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. Our audit also disclosed a significant instance of noncompliance with applicable laws, rules, or

regulations. A 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.



Register of Wills for Baltimore City
Honorable Belinda K. Conaway, Register

APPENDIX

December 29, 2014

Mr. Thomas J. Barnickel III, CPA
Department of Legislative Services
State Office Building
301 West Preston Street Room 1202
Baltimore, MD 21201

RE: Findings and Recommendations

Dear Mr. Barnickel:

We have received and reviewed your final Draft Audit Report. Please note that my tenure with the Register of Wills Office began December 1, 2014, well after the completion of the audit. The response below includes the changes implemented by the interim Register as well as actions taken by the current Register:

Findings #1 Payroll (concurred)

The current administration conducted an extensive review of this issue. The overpayment to the employees will be referred for collection.

- a. Employees will only be paid for hours worked. This will be verified by the timesheets.
- b. We will ensure that all employees maintain time sheets as required. All timesheets are reviewed by the supervisor and Chief Deputy to ensure that employees are only paid for the hours worked.
- c. The previous administration attempted to locate the missing time sheets to no avail. The current administration has also been unable to locate them. We will investigate and determine the amount of overpayment. This will be referred for collections.
- d. We have consulted with the Attorney General's Office. The appropriate forms will be completed and submitted once the total overpayment is determined.

Findings #2 Recordation of Checks (concurred)

- a. We will ensure that all checks are restrictively endorsed and recorded upon receipt.
- b. Through use of the revised check verification log, an independent employee will verify the initial collections to validated bank documentation.

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Should further information be necessary, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Belinda K. Conaway". The script is fluid and cursive, with the first letters of each word being capitalized and prominent.

Belinda K. Conaway

Register of Wills for Baltimore City

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