

Audit Report

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

June 2015



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

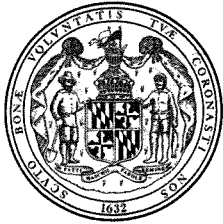
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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Thomas J. Barnickel III, CPA
Legislative Auditor

June 5, 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 Harford County, Maryland for the period beginning August 31, 2011 and ending January 4, 2015. The Office oversees the administration of decedents' estates within Harford County and assists individuals who administer estates.

Our audit disclosed that adequate controls were not established over disbursements.

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 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 Harford County, its fiscal year 2014 gross receipts totaled \$2,375,509, which consisted of inheritance tax collections (net of commissions) of \$1,577,369 and fees and commissions of \$798,140. The Office's fiscal year 2014 operating expenses totaled \$649,644.

Findings and Recommendations

Disbursements

Finding 1

Adequate controls were not established over disbursements.

Analysis

The Office had not established adequate controls over disbursements as two employees had the capability to process disbursements in the Office's automated records without independent approval and were authorized check signers. As a result, these individuals could potentially process an unauthorized disbursement without detection. According to Office records, during fiscal year 2014, the

Office processed disbursements totaling approximately \$2.4 million, of which the majority represents taxes and fees remitted to the Comptroller of Maryland.

Recommendation 1

We recommend that the Office segregate duties so that the employees responsible for processing disbursements are no longer authorized to sign checks. 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 Harford County, Maryland for the period beginning August 31, 2011 and ending January 4, 2015. 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, and administration of estates.

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, maintenance of accounting records, and related fiscal functions) are included within the scope of our audits of the Office of the Comptroller.

To accomplish our objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the Office's operations, and tests of transactions. 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 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. 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.

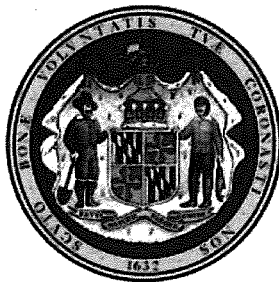
APPENDIX

Derek Hopkins
Register of Wills

Ashley Nordell
Chief Deputy

Rebecca Raspe
Assistant Chief Deputy

Kelly Denis
ROW Administrator



Lucy B. Lutche
Deputy

Charlotte M. Lafferty
Deputy

Karen Novakoski
Deputy

The Register of Wills for Harford County

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June 1, 2015

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Mr. Barnickel III,

Register of Wills for Harford County Response to Audit Report.

Response to Finding 1:

Office History:

Prior to taking office, it was office policy to have the Register and Chief Deputy as signers on the PNC bank account. Both the Register and Chief Deputy could enter disbursements into the system.

I was audited by the State after taking office. The auditors at the time did not express any concern over the checks and balances system we had in place regarding disbursements. Had they noted any concern in this regard, I would have changed our procedure.

Actions taken:

We noted that the auditors did not find any improper and/or fraudulent payments during their review. On February 13, 2015, the Chief Deputy was removed as a signer on the PNC account. In her place, the Assistant Chief Deputy was added as a signer along with the Register. The only employee who is authorized to enter disbursements into our system is the Chief Deputy. The Register's permission to enter

disbursements in the system was removed. All checks are now signed by either the Register or the Assistant Chief Deputy. The individual who signs the checks also initials the bill indicating that they have reviewed the requested payment. A copy of the signed check is attached to the bill to confirm who was paid and the amount.

A handwritten signature in black ink, appearing to read 'Derek Hopkins', with a stylized, flowing script.

Derek Hopkins, Register

AUDIT TEAM

Mark S. Hagenbuch, CPA
Audit Manager

Robert J. Smith, CPA
Senior Auditor