

Audit Report

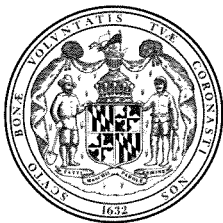
**Office of the Register of Wills
Carroll County, Maryland**

July 2014



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

July 15, 2014

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, 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 Carroll County, Maryland for the period beginning March 2, 2011 and ending March 31, 2014. The Office oversees the administration of decedents' estates within Carroll County and assists individuals who administer estates.

Our audit disclosed that deposit verifications were not performed by personnel independent of the collection 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,

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 Carroll County, its fiscal year 2013 gross receipts totaled \$2,951,630, which consisted of inheritance tax collections (net of commissions) of \$2,038,538 and fees and commissions of \$913,092. The Office's fiscal year 2013 operating expenses totaled \$513,684.

Findings and Recommendations

Collections

Finding 1

Deposit verifications were not performed by personnel independent of the collection process.

Analysis

Deposit verifications were not performed by personnel independent of the collection process. Specifically, the employee who performed the deposit verifications also prepared the deposits and performed the bank reconciliations. As a result, collections could potentially be misappropriated without detection. The Comptroller of Maryland's *Accounting Procedures Manual* requires that recorded collections be reconciled to amounts deposited by an employee

independent of the collection process. During fiscal year 2013, the Office processed collections totaling \$2,951,630.

Recommendation 1

We recommend that an employee independent of the collection process perform the deposit verification. 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 Carroll County, Maryland for the period beginning March 2, 2011 and ending March 31, 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, 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. 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, maintenance of accounting records, and related fiscal functions) are included within the scope of our audits of the Office of the Comptroller.

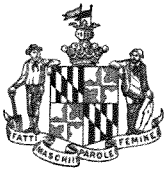
The Office's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding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

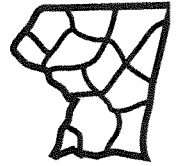
The Office's response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the Office regarding the results of our review of its response.



Paul G. Zimmermann
Register

APPENDIX
OFFICE OF THE
REGISTER OF WILLS

FOR CARROLL COUNTY
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July 11, 2014

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

Dear Mr. Barnickel:

I acknowledge receipt of the draft audit report on the Office of the Carroll County Register of Wills for the period beginning March 2, 2011 and ending March 31, 2014.

I would like to make a brief written response.

Carroll County is a small office. We added a person in January of this year, and in switching duties around we tried to consolidate duties as much as possible. Since there are so many internal financial controls in the ROW software, it didn't appear to be a problem. However, when Evan Naugle, your auditor, mentioned that it could be a problem, we instituted the change immediately, without waiting for confirmation that it was indeed a problem, and we notified Evan of the change. I am sure that Evan can confirm this.

I would also like to commend the professionalism of your auditor, Evan Naugle. He made every effort not to disrupt the Office, which I greatly appreciate. He is a stellar representative of your staff.

Sincerely,

Paul G. Zimmermann
Register of Wills
Carroll County, Maryland

AUDIT TEAM

Matthew L. Streett, CPA, CFE
Audit Manager

Evan E. Naugle
Senior Auditor