

Audit Report

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

May 2018

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

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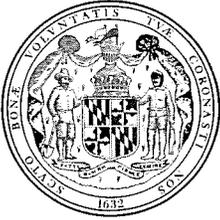
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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber  
Executive Director

Thomas J. Barnickel III, CPA  
Legislative Auditor

May 30, 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 Carroll County, Maryland for the period beginning April 1, 2014 and ending February 28, 2018. The Office oversees the administration of decedents' estates within Carroll County and assists individuals who administer estates.

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

The Office's response to this audit 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,

A handwritten signature in black ink, appearing to read "T J Barnickel III".

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 Register of Wills for Carroll County, its fiscal year 2017 gross receipts totaled \$2,998,473, which consisted of inheritance tax collections (net of commissions) of \$2,052,937 and fees and commissions of \$945,536. The Office's fiscal year 2017 operating expenses totaled \$686,370.

### **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 July 15, 2014. We determined that the Office satisfactorily addressed this finding.

## Findings and Recommendations

### Cash Receipts

#### **Finding 1**

**The Office did not adequately safeguard, control, and account for collections.**

#### **Analysis**

The Office did not adequately safeguard, control, and account for collections. Specifically, deposit verifications were not performed by an employee who was independent of the collection process. Rather, the employee who performed the deposit verifications also processed and had access to the related collections. In addition, collections from multiple cashiers were commingled and all eight Office employees had access to these collections prior to deposit.

As a result, there was a lack of accountability over collections which 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. The *Manual* further requires separate cash drawers (or similar control devices) to affix responsibility and accountability over collections.

According to the Office's records, during fiscal year 2017 collections totaled approximately \$3 million.

#### **Recommendation 1**

**We recommend that**

- a. an employee independent of the collection process perform the deposit verifications, and**
- b. collections be independently accounted for and related access be restricted to those needing access for their job responsibilities.**

**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 Carroll County, Maryland for the period beginning April 1, 2014 and ending February 28, 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. We also determined the status of the finding contained in our preceding audit report.

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. Other less significant conditions were 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

OFFICE OF THE

REGISTER OF WILLS

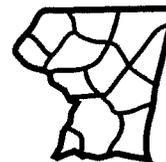
FOR CARROLL COUNTY

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Paul G. Zimmermann  
Register



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

May 25, 2018

Re: Response to 2018 Legislative Audit for Carroll County Register of Wills Office

Dear Mr. Barnickel:

Enclosed please find the original of my response regarding the Legislative audit conducted in Carroll County this year.

If you have any questions, please feel free to call me. Your auditor, Tu Vuong, and his Supervisor, Adam Westover, were very gracious and easy to work with.

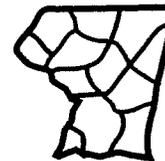
Very truly yours,

Paul G. Zimmermann  
Register of Wills for Carroll County, MD



Paul G. Zimmermann  
Register

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FOR CARROLL COUNTY  
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**Response to Recommendations in 2018 Legislative audit of  
Carroll County Register of Wills Office**

**We recommend that**

- a. an employee independent of the collection process perform the deposit verifications, and**
- b. collections be independently accounted for and related access be restricted to those needing access for their job responsibilities.**

- a) I changed the process as soon as I was advised by the auditor, however, I would like it noted that the process we were using had been the one recommended and approved by the previous auditor who handled the 2014 audit.\*
- b) I have implemented the changes recommended by the auditor. I would like it to be noted that during the audit period, there were no shortages in collections or in the checking account, and that all processing of collections and disbursements appeared proper.

Paul G. Zimmermann  
Register of Wills for Carroll County,  
MD

**\*Auditor's Comment:** Regarding the reference to the 2014 audit, we want to clarify that the finding identified during the current audit is different. During our 2014 audit, the individual involved in the deposit preparation process conducted the deposit verification. Our current audit finding cites an individual involved in the initial collection process (prior to the deposit preparation) was also conducting the deposit verification. As agreed to in the Office's response, our position has, and continues to be, that individuals who perform the deposit verification be independent of the collection process as required by the Comptroller of Maryland's *Accounting Procedures Manual*.

AUDIT TEAM

**Adam J. Westover, CPA**  
Audit Manager

**Tu N. Vuong**  
Senior Auditor