

Audit Report

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

June 2018



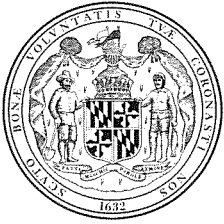
OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

June 29, 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 Talbot County, Maryland for the period beginning March 24, 2014 and ending April 1, 2018. The Office oversees the administration of decedents' estates within Talbot 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 finding 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,

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 Talbot County, its fiscal year 2017 gross receipts totaled \$1,697,669, which consisted of inheritance tax collections (net of commissions) of \$1,084,004 and fees and commissions of \$613,665. The Office's fiscal year 2017 operating expenses totaled \$621,156.

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 21, 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 personnel who were independent of the collection process. Rather, the employee who performed the deposit verifications also processed the related collections. In addition, collections from multiple cashiers were commingled and all seven 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 the use of separate cash drawers (or similar control devices) to affix responsibility and accountability over the collections.

According to the Office's records, during fiscal year 2017 collections totaled approximately \$1.7 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 access to collections 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 Talbot County, Maryland for the period beginning March 24, 2014 and ending April 1, 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.

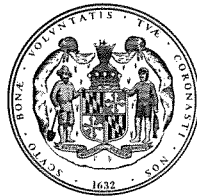
Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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. Another less significant condition 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



PATRICIA E. CAMPEN

REGISTER OF WILLS FOR TALBOT COUNTY

Talbot County Courthouse
11 N. Washington Street
P.O. Box 816
Easton, Maryland 21601

Fax: 410-822-5452
www.registers.maryland.gov

June 21, 2018

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*Via US Postal Service and
email to response@ola.state.md.us*

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

Re: Legislative Audit for Period
03/24/2014 through 04/02/2018

Dear Mr. Barnickel:

Please accept this letter in response to the draft Audit Report which was received by this office on June 20, 2018.

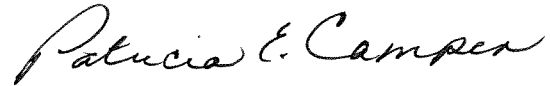
Upon review of the Report, it is noted that one (1) Finding was listed which states that the Office did not adequately safeguard, control and account for collections. Please be advised that upon the conclusion of my last legislative audit on March 23, 2014, I discussed and confirmed with the auditor assigned to us the process we would utilize for daily deposits. Unfortunately, that discussion was not documented in your records; it was simply my query to the auditor to confirm we were following the proper protocol.

Irregardless, I have taken steps to revise our collection process to conform with the Comptroller's *Accounting Procedures Manual* as discussed with Mr. Alexander Twigg on May 16, 2018 during our telephone conference regarding the Discussion Notes. Those changes became effective May 17, 2018. The procedure has been documented and may be provided upon request.

Mr. Thomas J. Barnickel, III, CPA
June 21, 2018
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In the event you have any questions or if I may provide additional information, please feel free to contact me. Thanking you for your assistance, I am,

Very truly yours,

A handwritten signature in cursive script that reads "Patricia E. Campen". The signature is written in black ink and is positioned above the printed name and title.

Patricia E. Campen
Register of Wills

Enclosure

AUDIT TEAM

Adam J. Westover, CPA
Audit Manager

J. Alexander Twigg
Senior Auditor

Thea A. Chimento
Staff Auditor