

# Audit Report

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

June 2008

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**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

Bruce A. Myers, CPA  
Legislative Auditor

June 5, 2008

Senator Verna L. Jones, Co-Chair, Joint Audit Committee  
Delegate Steven J. DeBoy Sr., 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 Talbot County, Maryland for the period beginning March 15, 2005 and ending February 18, 2008.

Our audit disclosed that the Office did not maximize interest income on its excess cash as required by the Comptroller of the Treasury's directive on investment of funds.

Respectfully submitted,

Bruce A. Myers, CPA  
Legislative Auditor



## **Background Information**

### **Agency Responsibilities**

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. These fees, as well as the commissions earned by an office on inheritance tax collections, are generally used to finance that office's operating expenses. Inheritance tax collections (less the applicable commissions) and any fees and commissions in excess of operating expenses are remitted to the State's General Fund. On a collective basis, the offices' fees and commissions that exceed their operating expenses are retained by the General Fund. In the event that an individual office's fees and commissions are not sufficient to finance its operating expenses, the difference is paid from the General Fund.

### **Financial Information**

According to the Office's records, the Office's fiscal year 2007 gross receipts totaled \$1,652,478. These receipts were distributed in the following manner:

- \$1,115,826 in inheritance tax collections were remitted to the General Fund;
- \$536,652 in fees and commissions were disbursed for operating expenses and refunds, or remitted to the General Fund.

The Office's fiscal year 2007 operating expenses totaled \$422,980.

## **Findings and Recommendations**

### **Cash Management**

#### **Finding 1**

**The Office did not maximize investment earnings on excess funds resulting in a loss of interest income totaling \$13,600 for calendar year 2007.**

#### **Analysis**

The Office did not maximize investment earnings on excess funds. Specifically, the Office's collections were deposited into an interest-bearing checking account

at a local bank; however, the interest rates earned on the funds in that account were lower than the rates available from the Local Government Investment Pool (LGIP) established by the State Treasurer. Specifically, the average interest rate earned by the LGIP exceeded the average interest rate obtained by the Office by 4.31 percent during calendar year 2007. During this period, the Office could have earned additional interest of approximately \$13,600 if its funds had been invested in the LGIP.

The Office of the Comptroller of the Treasury issued a directive, dated January 4, 1983, to all Registers of Wills regarding the investment of funds. In order to maximize interest earnings, the Comptroller's directive provided the Registers with three investment options. Specifically, the directive allowed funds to be invested in the LGIP established by the State Treasurer, or in a local bank provided that the interest earnings are comparable to the LGIP, or by the State Treasurer on behalf of the applicable Register of Wills.

#### **Recommendation 1**

**We recommend that the Office invest its excess funds in accordance with the aforementioned directive from the Comptroller of the Treasury.**

## **Audit Scope, Objectives, and Methodology**

We have audited the Office of the Register of Wills for Talbot County, Maryland for the period beginning March 15, 2005 and ending February 18, 2008. 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 materiality and risk. 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. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

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.

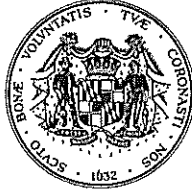
Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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.

Our audit did not disclose any 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 report does, however, include a finding regarding a significant instance of noncompliance with applicable laws, rules, or regulations. Another less significant finding was communicated to the Office that did not warrant inclusion in this report.

The Office's response to our finding and recommendation 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**



**ALICE W. ANDERSON**

**REGISTER OF WILLS FOR TALBOT COUNTY**

Talbot County Courthouse  
P.O. Box 816  
Easton, Maryland 21601

June 3, 2008

Orphans' Court

410-770-6700  
Fax 410-822-5452  
1- 888-822-0039 in MD only

*Via U.S. Postal Service and  
Email to [response@ola.state.md.us](mailto:response@ola.state.md.us)*

Mr. Bruce A. Myers, CPA  
Legislative Auditor  
Department of Legislative Services  
Office of Legislative Audits  
Maryland General Assembly  
301 West Preston Street  
Room 1202  
Baltimore, Maryland 21201

Re: Legislative Audit for the Period  
March 15, 2005 through February 18, 2008

Dear Mr. Myers:

In response to your letter request of May 19, 2008 and the recommendation as contained within the draft audit report for the above-captioned period, please be advised that I am in agreement with the recommendation and have made appropriate arrangements for the investment of excess funds in my MLGIP account.

In an attempt to avoid excessive bank fees, a new interest-bearing checking account for the office has been established with PNC Bank and will be fully operable on June 4, 2008. We have taken steps to link this account with the MLGIP account, to which excess funds will be transferred electronically.

I trust the above will satisfy the requirements as outlined in the report. Kindly advise of any further documentation or information you may require for the above accounts. In the event you have any questions, please do not hesitate to contact me.

Very truly yours,

Alice W. Anderson  
Register of Wills

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AUDIT TEAM

**Edward L. Shulder, CPA**  
Audit Manager

**Ken H. Johanning, CFE**  
Senior Auditor

**R. Frank Abel, CPA, CFE**  
Staff Auditor