

Audit Report

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

March 2022



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

March 23, 2022

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation 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 March 1, 2018 and ending December 12, 2021. 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 finding is included as an appendix to this report. We reviewed the response to our finding and related recommendation, and have concluded that the corrective actions identified are sufficient to address the audit issues. While the Office generally agrees with the recommendation in this report, we identified certain statements in the response that conflict with or disagree with the report finding. In each instance, we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included an "auditor's comment" to further explain our position.

We wish to acknowledge the cooperation extended to us during the audit by the Office and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a prominent initial "G".

Gregory A. Hook, 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 2021 gross receipts totaled \$1,681,609, which consisted of inheritance tax collections (net of commissions) of \$1,054,544 and fees and commissions of \$627,065. The Office's fiscal year 2021 operating expenses totaled \$782,389.

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 May 30, 2018. We determined that the Office did not satisfactorily address this finding; therefore, it is repeated in this report.

Findings and Recommendations

Cash Receipts

Finding 1

Deposit verifications were not performed by personnel independent of the collection process, contributing to a lack of accountability over collections.

Analysis

Deposit verifications were not performed by personnel independent of the collection process. Specifically, the employee responsible for verifying collections to deposit was also responsible for depositing collections to the bank and, consequently, was not independent of the cash receipts process. According to State records, the Office processed collections totaling approximately \$1.6 million during fiscal year 2021.

As a result of this condition, errors or other discrepancies could occur without timely detection. The Comptroller of Maryland's *Accounting Procedures Manual* requires that collections be verified to amounts deposited by an employee independent of the collection process. A similar condition regarding access to collections by an employee involved in the deposit verification process was commented upon in our preceding audit report.

Recommendation 1

We recommend that an employee independent of the collection process perform the deposit verifications (repeat). 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 March 1, 2018 and ending December 12, 2021. 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 human resources, 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.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our test of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of March 1, 2018, to December 12, 2021, but may include transactions before or after this period, as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of the Office's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us 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 audit 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. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to the Office, were considered by us during the course of this audit.

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 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. This finding is also regarded as a significant instance 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 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

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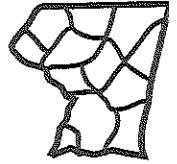
REGISTER OF WILLS

FOR CARROLL COUNTY

55 N. Court Street • Room 124
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Paul G. Zimmermann
Register



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Date: March 18, 2022

Mr. Gregory A. Hook, CPA
Legislative Auditor
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, Maryland 21201

Dear Mr. Hook:

Attached, please find my response for the auditor's report for the audit of the Carroll County Register of Wills office for the audit period beginning March 18, 2018 and ending December 12, 2021.

I would like to commend Mr. Abishe and Mr. Rubenstein for the professional way they handled the audit.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'Paul G. Zimmermann'.

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

Office of the Register of Wills – Carroll County

Agency Response Form

Cash Receipts

Finding 1
Deposit verifications were not performed by personnel independent of the collection process, contributing to a lack of accountability over collections.

We recommend that an employee independent of the collection process perform the deposit verifications (repeat). We advised the Office on accomplishing the necessary separation of duties using existing personnel.

| Agency Response | | | |
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| Analysis | | | |
| Please provide additional comments as deemed necessary. | | | |
| Recommendation 1 | Disagree | Estimated Completion Date: | |
| Please provide details of corrective action or explain disagreement. | <p>I disagree with the Finding but I understand the rationale. The reason for the disagreement is that there are only two people (including myself) in the office who do not take part in the collection process. Everyone else in the office collects money and generates receipts. I take the Deposit to the Bank and the other person reconciles the bank deposit slip and the deposit, prepared that morning, with the cash/check total from the night before and the receipt journal, both prepared the night before. The receipt journal is computer generated, through the Register of Wills Association's proprietary software. The suggestion from the auditor was to have the other person, who is female, take the deposit to the Bank, only because she has the key to the locked cabinet containing the cashbox. I am not comfortable sending her to make the deposit because several banks up here have been robbed.</p> <p>Action taken: I have moved the key from her possession. I will continue to make the daily deposit and she will continue to do the daily reconciliation/verification after the return from deposit. The process that we had been using was recommended by the previous auditor.</p> | | |

Auditor's Comment: Although the Office's response states that it disagrees with our finding and recommendation, the proposed corrective action satisfactorily addresses our recommendation. Regarding the reference to "the previous auditor", we want to clarify

Office of the Register of Wills – Carroll County

Agency Response Form

that our prior report recommendation was that the employee who performed the deposit verification should not be involved in the collection process. As noted in the current finding's analysis, these incompatible functions were performed by the same employee; therefore, the Office's current process was not consistent with our prior recommendation.

AUDIT TEAM

Edward A. Rubenstein, CPA
Audit Manager

Matusala Y. Abishe
Senior Auditor