

Audit Report

Office of the Register of Wills Wicomico County, Maryland

April 2024



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

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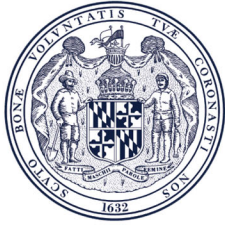
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Victoria L. Gruber
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Gregory A. Hook, CPA
Legislative Auditor

April 30, 2024

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, 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 Wicomico County, Maryland for the period beginning November 6, 2019 and ending May 31, 2023. The Office oversees the administration of decedents' estates within Wicomico County and assists individuals who administer estates.

Our audit disclosed Office employees were not required to prepare time records, such as timesheets, either manually or online, and certain leave records were not accurate. We also found the Office did not always obtain supporting documentation for employee expense reimbursements or ensure that independent reviews of reimbursements were performed.

Finally, we received a referral to our fraud, waste, and abuse hotline alleging, in part, that a senior management employee hired and provided certain preferential treatment to an employee who was a family member. Based on our review, we were able to substantiate certain aspects of the allegation. Specifically, that the employee received a promotion without meeting all the position requirements (see Finding 1).

The Office's response to this audit is included as an appendix to this report. In accordance with State law, we have reviewed the response and, while the Office generally agrees with the recommendations in this report, we identified certain instances in which statements in the response conflict with or disagree with the report findings. In each instance, we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. Most notably, in response to Finding 1, the Office states that it will sometimes be necessary for

unauthorized individuals to sign checks which is a significant internal control weakness.

In accordance with generally accepted government auditing standards, we have included “auditor’s comments” within the Office’s response to explain our position. Finally, there are other aspects of the Office’s response which will require further clarification. We will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with the Office.

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, flowing style.

Gregory A. Hook, CPA
Legislative Auditor

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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 Wicomico County, its fiscal year 2022 gross receipts totaled \$1,366,541, which consisted of inheritance tax collections (net of commissions) of \$901,923 and fees and commissions of \$464,618. As shown in Figure 1 on the following page, the Office's fiscal year 2022 operating expenses totaled \$648,661 (primarily salaries and wages), the majority of which represents costs paid directly by the Comptroller, as noted above.

Figure 1
Office of the Register of Wills for Wicomico County
Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2022		
	Positions	Percent
Filled	6	100.0%
Vacant	0	0.0%
Total	6	
Fiscal Year 2022 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$ 566,826	87.4%
Technical and Special Fees	13,398	2.0%
Other Operating Expenses	68,437	10.6%
Total	\$ 648,661	
Fiscal Year 2022 Funding Sources		
	Funding	Percent
Non-Budgeted Fund ¹	\$1,366,541	100.0%
Total	\$1,366,541	

Source: State financial and personnel records

Referral to Our Fraud, Waste, and Abuse Hotline

We received a referral to our fraud, waste, and abuse hotline alleging, in part, that a senior management employee hired and provided certain preferential treatment to an employee who was a family member. Based on our determination of the associated risk, we interviewed applicable personnel and reviewed applicable personnel, payroll, and financial transactions. In addition, we sought guidance from the State Ethics Commission regarding relevant provisions under State ethics law. Based on our review, we were able to substantiate certain concerns raised in the allegation (see Finding 1).

¹ The Office's funding consisted of inheritance tax collections (net of commissions) of \$901,923 and fees and commissions of \$464,618.

Findings and Recommendations

Potential Preferential Treatment

Background

We received a referral to our fraud, waste, and abuse hotline alleging, in part, that a senior management employee hired and provided certain preferential treatment to an employee who was a family member. The allegation indicated that the family member was given preferential treatment in their work schedule such as free time off and was given pay raises unfairly.

We examined the working relationship between these two employees by interviewing Office personnel and reviewing applicable personnel, payroll, and financial transactions. While we were able to confirm that in July 2015, the senior management employee was directly involved in hiring a relative as an employee in the Office, senior management personnel at the State Ethics Commission advised us that the relationship does not constitute a qualifying relative under State ethics law. As a result, the relationship did not constitute a violation of State ethics law. In addition, we could not substantiate the allegation that the related employee was given preferential treatment in their work schedule such as free time off, since the Office did not maintain time records, such as timesheets, and the Office's leave records were not always accurate (refer to Finding 2).

We were able to substantiate certain other aspects of the allegation. Our review did not identify any matters that warranted a referral to the Office of the Attorney General's Criminal Division but did identify certain deficiencies that require corrective action by the Office, as further described in the finding below.

Finding 1

The Office may have provided preferential treatment to an employee who was promoted without meeting all of the position requirements.

Analysis

The Office may have provided preferential treatment to an employee who was related to a senior management employee by reclassifying (promoting) the employee without meeting all the requirements. We found that the related employee received four position reclassifications between July 2016 and July 2021 that were approved by the senior management employee. Based on available records, we concluded that the employee did not meet the written minimum education and experience requirements for one of those four reclassifications.

On a matter unrelated to the allegation, we also noted that the related employee signed three expense reimbursement checks for other employees even though the employee was not an authorized check signer. The employee signed the checks using the name of an authorized signer. We were advised that Office management was aware of this activity.

Recommendation 1

We recommend that the Office

- a. ensure and adequately document that all education and experience requirements for employee position reclassifications have been met before processing a reclassification, and**
- b. ensure that reimbursement checks are signed only by authorized signers.**

Preparing and Maintaining Time and Leave Records

Finding 2

The Office did not maintain employee time records, such as timesheets, and certain leave records were not accurate.

Analysis

Office employees were not required to prepare time records, such as timesheets, either manually or online, and certain leave records were not accurate. Specifically, the Office did not maintain a record of each employee's days and hours worked for each pay period, or the employee's written or formal attestation of time worked and corresponding supervisor's approval. As a result, the Office's payroll, including approval of exception time reports, was processed and submitted to the Central Payroll Bureau without comparison to individual employee time records. This practice is contrary to that of five other Register of Wills offices we contacted, each of which required employee time records to be prepared and submitted for approval.

We further noted that although leave records were maintained based on leave requests submitted by employees and approved by supervisory personnel, the records were not always accurate. Specifically, we noted that when the Office converted its manual leave records to an electronic format in August 2022, the beginning converted balance for one employee exceeded the ending manual balance by 220 hours. This discrepancy had not been corrected at the time of our review, and the Office could not readily explain how the discrepancy occurred.

At the time of our review the Office had six employees with payroll earnings of approximately \$394,000 in fiscal year 2022. The Comptroller of Maryland's

Accounting Procedures Manual generally requires preparation of positive time records by employees.

Recommendation 2

We recommend that the Office

- a. require the preparation of positive time records by employees each pay period, including documentation of the employee's attestation of accuracy and approval by supervisory personnel;**
- b. use the time records when processing and approving payroll for submission to the Central Payroll Bureau;**
- c. maintain complete and accurate leave records on a timely basis; and**
- d. resolve the 220 hour leave balance discrepancy noted in this finding.**

Employee Expense Reimbursements

Finding 3

The Office did not always obtain supporting documentation for expense reimbursements or ensure that independent reviews of reimbursements were performed.

Analysis

The Office did not always obtain supporting documentation for employee expense reimbursements or ensure that independent reviews of reimbursements were performed. Our test of 17 reimbursements totaling \$3,758 disclosed that expenses totaling \$2,293 included in 9 reimbursements did not have adequate supporting documentation, such as receipts, and 15 reimbursements totaling \$3,519 had no evidence of an independent review. Furthermore, \$3,304 of the \$3,519 was reimbursed to the senior management employee commented upon in Finding 1.

During the period July 1, 2021 to April 30, 2023, Office employee expense reimbursements totaled \$4,171.

Recommendation 3

We recommend that the Office ensure that all employee expense reimbursement requests are adequately supported and independently reviewed, including those noted above.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Office of the Register of Wills for Wicomico County, Maryland for the period beginning November 6, 2019 and ending May 31, 2023. 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, payroll and certain human resources activities, corporate purchasing card activity, and administration of estates. In addition, we reviewed activities relating to the working relationship between two employees based on a referral to our fraud, waste, and abuse hotline.

Our audit did not include a review of certain support services (such as certain 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 November 6, 2019 to May 31, 2023, 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 various data extracts of pertinent information from the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. 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 findings 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. Our report also includes a finding regarding a significant instance 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.

APPENDIX



Karen A. Lemon

Register of Wills for Wicomico County

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April 4, 2024

*Mr. Gregory A. Hook, CPA
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21201*

Re: Legislative Audit for period 11/6/2019-05/31/2023

Dear Mr. Hook,

I have reviewed the discussion notes for the above audit period and would like to offer the following responses to the discussion notes that I received regarding the audit of my office.

First of all, for the record, please note that I have 4 full time employees and 1 part time employee. Chief Deputy, PC Administrator, Auditor and Deputy Register of Wills and part-time employee for paper reduction.

There have been no findings in any of our financial reports and all reports are current, correct amounts of fees and taxes collected and submitted to the Comptroller.

I am proud of the service my office provides. We serve people at the worst time of their lives. My staff is very knowledgeable and empathetic. In addition to aiding in preparing the required documents, we often comfort them and sometimes even cry with them. In addition to collecting the proper money, it is my belief that we represent the Comptroller in a very positive manner.

I would like to say that the Senior Auditor and his Audit Manager were very professional and easy to work with.

Very truly yours,

Karen A. Lemon
Karen A. Lemon,
Register of Wills for Wicomico County

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

Agency Response Form

Potential Preferential Treatment

Finding 1

The Office may have provided preferential treatment to an employee who was promoted without meeting all of the position requirements.

We recommend that the Office

- a. ensure and adequately document that all education and experience requirements for employee position reclassifications have been met before processing a reclassification, and**
- b. ensure that reimbursement checks are signed only by authorized signers.**

Agency Response	
Analysis	Factually Inaccurate
Please provide additional comments as deemed necessary.	The relative in question was deemed to be in good standings with the Maryland Ethics Committee, based on a meeting with the Maryland Ethics Committee and the Register.

Auditor's Comment: The response indicates that the Analysis is factually inaccurate, and specifically notes that "The relative in question was deemed to be in good standings with the Maryland Ethics Committee". However, the report does not question the employee's standing with the State Ethics Commission, but in fact specifically states that the relationship noted did not constitute a violation of State ethics law.

Recommendation 1a	Agree	Estimated Completion Date:	04/01/2024
Please provide details of corrective action or explain disagreement.	When reclassifying an employee, we should revise the description in the MS-22 to suit the position, including education, qualifications, time accrued and experience.		
Recommendation 1b	Disagree	Estimated Completion Date:	04/01/2024
Please provide details of corrective action or explain disagreement.	There are only 5 employees in our office-so at times it will be necessary. In the absence of the Register and Chief Deputy, an employee not on the signature card will need to write and sign checks for outgoing office bills in order to meet the due date. All outgoing checks are copied and attached to outgoing bills and		

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

Agency Response Form

	approved by both the Chief Deputy and the Register at the end of every month and yearly.
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Auditor's Comment: The response indicates that in the absence of the Register and Chief Deputy, an employee not on the signature card will need to write and sign checks. An employee who is not an authorized check signer as established with the applicable bank should not be allowed to sign checks using the name of an authorized signer. Doing so results in a significant internal control weakness.

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

Agency Response Form

Preparing and Maintaining Time and Leave Records

Finding 2

The Office did not maintain employee time records, such as timesheets, and certain leave records were not accurate.

We recommend that the Office

- a. require the preparation of positive time records by employees each pay period, including documentation of the employee's attestation of accuracy and approval by supervisory personnel;**
- b. use the time records when processing and approving payroll for submission to the Central Payroll Bureau;**
- c. maintain complete and accurate leave records on a timely basis; and**
- d. resolve the 220 hour leave balance discrepancy noted in this finding.**

Agency Response	
Analysis	Disagree
Please provide additional comments as deemed necessary.	Our office consists of 5 employees. Utilizing a timekeeping program was not feasible for our office. Once the time mistake was discovered by the auditor, it was corrected immediately.

Auditor's Comment: The response indicates disagreement with the Analysis, and states that using a timekeeping system was not feasible for the Office. Preparation of positive time records by employees each pay period is a generally accepted practice that helps to ensure both accountability and proper record keeping, and should not be restricted to entities with a certain number of employees. We noted that the Office's response to our recommendation to prepare positive time records indicates that the Office has implemented a time keeping system.

Recommendation 2a	Agree	Estimated Completion Date:	04/01/2024
Please provide details of corrective action or explain disagreement.	Upon the recommendation of the auditor, we implemented a new time keeping system.		
Recommendation 2b	Agree	Estimated Completion Date:	04/01/2024

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

Agency Response Form

Please provide details of corrective action or explain disagreement.	As noted above, we have started a new procedure with timekeeping in Excel. Everything is now recorded by line item.		
Recommendation 2c	Agree	Estimated Completion Date:	04/01/2024
Please provide details of corrective action or explain disagreement.	Time earned and taken every pay period-separate line and time used is entered every week by Chief Deputy and approved by Register.		
Recommendation 2d	Agree	Estimated Completion Date:	04/01/2024
Please provide details of corrective action or explain disagreement.	This was an error-when brought to our attention it was corrected and entered into the system.		

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

Agency Response Form

Employee Expense Reimbursements

Finding 3

The Office did not always obtain supporting documentation for expense reimbursements or ensure that independent reviews of reimbursements were performed.

We recommend that the Office ensure that all employee expense reimbursement requests are adequately supported and independently reviewed, including those noted above.

Agency Response	
Analysis	Factually Inaccurate
Please provide additional comments as deemed necessary.	Our employee handbook that was approved by the Comptroller, states that the Register, as an elected official, is not required to produce receipts. Please refer to COMAR 23.02.01.02(B)(5)(b)

Auditor's Comment: The response indicates that the Analysis is factually inaccurate, and states that the Register is not required to produce receipts. The Analysis accurately addresses the fact that the Office did not always obtain supporting documentation for employee expense reimbursements and provides certain related data. While the Register is not specifically required to submit receipts for review, the submission and review of receipts is a generally accepted control procedure used to help ensure the propriety of expense reimbursement requests. We noted that the Office has agreed, going forward, to have the Register submit receipts, which we agree will help provide transparency.

Recommendation 3	Agree	Estimated Completion Date:	04/01/2024
Please provide details of corrective action or explain disagreement.	All employees provide receipts for reimbursements. While the Register of Wills is not required by law to provide receipts for reimbursement, going forward, the Register of Wills will provide documentation for reimbursements for public transparency.		

AUDIT TEAM

Adam J. Westover, CPA
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