



**ANNE ARUNDEL COUNTY
OFFICE OF THE COUNTY AUDITOR**

October 21, 2013

The Honorable Members of the County Council
The Honorable County Executive Laura A. Neuman
The Honorable State's Attorney Anne Leitess
Anne Arundel County, Maryland
44 Calvert Street
Annapolis, Maryland 21401

Dear Members, Ms. Neuman, and Ms. Leitess:

In accordance with Section 311 of the County Charter, I am calling to your attention and taking exception to the improper procedures noted in this report.

We reviewed the payroll and leave procedures in place at the Office of the State's Attorney. The objectives of our audit review were to determine whether the Office of the State's Attorney had adequate internal controls to ensure that:

- hourly-rate employees were paid in accordance with approved Personnel Action Authorization forms, written contractual agreements, and approved timesheets.
- salaried employees were paid in accordance with approved Personnel Action Authorization forms and approved timesheets.
- leave taken by salaried employees was posted properly to the employees' timesheets and to the employees' leave records.
- the salaries of the Deputy State's Attorneys and Assistant State's Attorneys comply with the salary limitations established in the Criminal Procedure Article of the Annotated Code of Maryland.

To accomplish our objectives, we met with the management of the State's Attorney's Office (SAO) to discuss and document the payroll and leave recordkeeping procedures. We also tested compliance with applicable laws and contractual agreements, and we reviewed payroll and leave records and related documentation.

Our review was not conducted in accordance with generally accepted government auditing standards or standards issued by the American Institute of Certified Public Accountants and was more limited than would be necessary to express an opinion on the system of internal accounting control over payroll and leave in the State's Attorney's Office. Accordingly, we do not express an opinion or any other form of assurance on the system of internal accounting control over payroll and leave in the State's Attorney's Office.

Our findings and recommendations address controls in place and transactions that occurred during calendar year 2012 when Mr. Frank Weathersbee was the State's Attorney. Attached to this report is the response of the current State's Attorney, Anne Leitess.

This report is intended solely for the use of the County Council, the management of Anne Arundel County, and the State's Attorney. However, this report is a public document that may be obtained from the Office of the County Auditor.

FINDINGS AND RECOMMENDATIONS

Objective #1: To determine whether the SAO had adequate internal controls to ensure that hourly-rate employees were paid in accordance with approved Personnel Action Authorization forms, written employment agreements, and approved timesheets.

We determined that the SAO had adequate internal controls to ensure that hourly-rate employees were paid in accordance with approved Personnel Action Authorization forms (PAA's). We also determined that the employees who had written employment agreements were paid the hourly rates specified in their agreements, but not all of the employees had written agreements. Finally, we determined that the internal controls were not adequate to ensure that the employees were paid in accordance with approved timesheets.

The SAO employed 10 hourly-rate employees in calendar year 2012. We compared the hourly rates per employees' pay stubs to the hourly rates on their approved PAA's and found all were paid the proper hourly rate. We attempted to compare the hourly rates per the employee's pay stubs to the hourly rates specified in their written employment agreements, but we found that the SAO did not enter into written agreements with eight of the 10 employees. For the other two, we determined that the hourly rates on their pay stubs agreed to the hourly rates in their employment agreements.

When we compared the hours for which the employees were paid to the hours documented on their timesheets, we found that four of the 10 employees were regularly paid for a set amount of hours, regardless of the actual hours worked. Consequently, we found differences between the hours for which the employees were paid and the hours they actually worked as follows:

- One employee was paid for 35.5 hours more than the hours actually worked per the employee's timesheets. The excess pay totaled \$2,050.13.
- One was paid for 16.9 hours more than the hours actually worked per the employee's timesheets. The excess pay totaled \$405.60.
- One was paid for 106.9 hours less than the hours actually worked per the employee's timesheets. The underpayment totaled \$3,354.52.
- One was paid for 117.5 hours less than the hours actually worked per the employee's timesheets. The underpayment totaled \$6,227.50.

We also found one employee worked 47.5 hours in one pay period, but was paid for only 40 hours. This underpayment was offset by errors in seven other pay periods in which the employee was paid more hours than the employee actually worked. The net effect of the errors was an underpayment of \$48 for 2.7 hours.

Finally, although the SAO maintains timesheets for each employee, 194 of the 196 timesheets we reviewed were not signed and approved by the employees' supervisor to document the supervisors concurred the timesheets accurately reflected the actual hours worked. While some of the timesheets had the name or initials of the supervisor typed at the bottom of the timesheet, there is no way to tell who typed this information.

Recommendations

The State's Attorney is not required to comply with the County's personnel laws, including § 6-2-106 that specifies hourly-rate employee's shall receive pay and benefits as specified in a written agreement between the employee and the appointing authority. Nevertheless, best practices would dictate the State's Attorney should enter into a written agreement with each hourly-rate employee that sets forth the terms of employment.

Best practices also dictate that a supervisor with knowledge of the actual hours an employee works should review and approve the hours reported on the employee's timesheet. Accordingly, we recommend that both the hourly-rate employee and the employee's supervisor approve all timesheets prior to posting the hours to the County's payroll system.

Finally, we recommend that the SAO take action to correct the overpayments and underpayments we noted above.

Objective #2: To determine whether the SAO had adequate internal controls to ensure salaried employees were paid in accordance with approved Personnel Action Authorization forms and approved timesheets.

We determined that the SAO did not have adequate internal controls to ensure salaried employees were paid in accordance with approved PAA's and with the employees' timesheets. For six salaried employees, we multiplied the hourly rates of pay on their approved PAA's by the hours reported on their timesheets (hours worked, paid leave, and unpaid furlough hours). We reconciled our calculations to the employees' gross pay for calendar year 2012 and found no discrepancies between their authorized hourly rates per their PAA's and the hourly rates for which they were paid.

We did, however, find discrepancies between the hours for which three of the six employees were paid and the hours recorded on their timesheets. We found one employee was paid for a day that the employee's timesheet reported as an unpaid furlough day, and two employees were charged for furlough days that were not reported on their timesheets. Further, we noted that none of the timesheets were manually approved with a supervisor's signature.

Recommendations

We recommend that a supervisor who knows the hours worked and leave taken by an employee approve the employee's timesheet prior to posting the hours to the County's payroll system. We also recommend that the SAO work with the Office of Personnel to determine whether any pay adjustments should be made for the three employees whose time sheets differed from their pay records for furlough days.

Objective #3: To determine whether the SAO has adequate internal controls to ensure leave taken by salaried employees was approved by the employees' supervisors and posted properly to the employees' timesheets and to the employees' leave records.

The SAO does not use the County's automated payroll system to maintain its leave records. Rather, the SAO chooses to maintain its own leave records manually using "pen and paper." These manual leave records are used by the SAO to determine available leave balances, amounts of leave for which employees may be compensated if they terminate their employment, and amounts of accrued leave that may be carried forward from one calendar year to the next. We found that this labor-intensive, manual system does not provide adequate internal control to ensure leave taken by salaried employees was approved by the employees' supervisors and posted properly to the employees' timesheets and to the employees' leave records.

For the same six salaried employees, we compared the leave taken per their timesheets to the leave posted to their leave records and found discrepancies. Specifically:

- One employee's timesheet showed the employee took eight hours of annual leave, but the employee's leave records showed the employee took eight hours of disability leave.
- One employee's timesheet showed the employee took one furlough day without pay, but the employee's leave records showed the employee took eight hours of paid annual leave.
- One employee was paid for nine hours of annual leave that was not subtracted from the employee's leave record.
- One employee's timesheet did not reflect eight hours of annual leave that was deducted from the employee's leave record.
- One employee donated three days of leave to another employee. While the leave was added to the recipient's leave balance, it was not deducted from the donor's leave balance.

When we reviewed the employees' leave records, we also noted that four of the six employees requested 95 hours of leave using leave slips or e-mails, but the leave did not get posted to the employees' timesheets or leave records. The SAO was unable to provide documentation to support whether the employees were not charged for the leave they took or whether the employees never used the leave they requested.

Recommendations

We recommend that the SAO use the County's automated payroll system to account for leave accrued and used. The system will automatically accrue leave consistent with the amounts accrued annually for other nonrepresented County employees

Members of the County Council
Ms. Neuman
Ms. Leitess
October 21, 2013
Page 4

and deduct leave posted to the employees' timesheets, thereby eliminating any discrepancies between the timesheets and the leave records and alleviating the administrative burden on the staff to maintain manual records.


To ensure consistent documentation of leave taken, we recommend that the SAO implement a policy that establishes how employees should request leave (by filling out a leave request form, by email, etc.), and the supervisor who approves the employee's timesheet should initial the leave request to show the employee actually took the requested leave, maintaining the signed leave request in the employee's leave records.

Objective #4: To determine whether the SAO has adequate internal controls to ensure the salaries for the Deputy State's Attorneys and Assistant State's Attorneys comply with the salary limitations established in the Criminal Procedure Article of the Annotated Code of Maryland.

We determined that the SAO has implemented adequate internal controls to ensure compliance with the salary limitations imposed by the Criminal Procedure Article of the Annotated Code of Maryland, Section 15-403 that limits the salary for a Deputy State's Attorney to 90% of the State's Attorney's salary and the salary for an Assistant State's Attorney to 80% of the State's Attorney's salary. We reviewed the salaries of all Deputy State's Attorneys and Assistant State's Attorneys and found all complied with the salary limitations.

We thank the SAO staff for their assistance and courteous cooperation during our review. Please call if you have any questions regarding our findings and recommendations.

Sincerely,



Teresa Sutherland, CPA
County Auditor

ANNE COLT LEITNESS
State's Attorney



WILLIAM D. ROESSLER
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VIA ELECTRONIC MAIL

October 16, 2013

Teresa Sutherland, CPA
County Auditor

Re: Letter dated September 18, 2013

Dear Ms. Sutherland:

I am in receipt of your letter in reference to payroll and leave recordation practices during Frank Weathersbee's term in 2012. I noted the disclaimer that your review was "*not conducted in accordance with generally accepted government auditing standards or standards issued by the American Institute of Certified Public Accountants and was more limited than would be necessary to express an opinion on the system of internal accounting control over payroll and leave in the State's Attorney's Office.*" With that caveat in place, I will take your report as a recommendation that certain internal controls would be helpful to my office. Since my appointment as State's Attorney on June 11, 2013 I have taken additional steps to ensure that appropriate practices are used in my office and have either instituted policies or reinforced those already in place so that the following occurs:

1. All employees are required to have their supervisor sign their time sheets and the supervisors are responsible for ensuring that leave is properly noted.
2. All employees are required to submit separate leave sheets, signed by their supervisor, which record individual days of leave request. Those leave sheets are compared with the time sheets for accuracy and are kept on file for future reference.
3. There is one person in charge of keeping all leave records and she is aware of the need for accuracy.
4. All hourly employees are paid only for their hours worked and their noted hours are reviewed by their supervisors.

Your recommendation that the State's Attorney's Office enter into written contracts with hourly, temporary employees is legal advice about which I will consult with our counsel at the Attorney General's office. Historically, we have followed all County requirements for hiring temporary hourly employees and a PAA is submitted for each which clearly sets forth their hourly rate, maximum hours, and benefit status.

The State's Attorney's Office will continue to maintain its independence in its functions and operations as provided for by law while being mindful of the need for maintaining accurate leave and payroll records as well as following the county's guidelines where appropriate.

Sincerely yours,
Anne Colt
Leitess
Anne Colt Leitess
State's Attorney for Anne Arundel County

Digitally signed by Anne Colt Leitess
DN: cn=Anne Colt Leitess, o,
ou=SAO, email=saleit53@aaacounty.
org, c=US
Date: 2013.10.16 18:51:39 -0400

County Auditor's Response to State's Attorney Leitess' Response

Objective #1:

- *In our report, we note that the State's Attorney is not required to comply with § 6-2-106 of the County Code that sets forth the County's requirements for hourly-rate employees and includes a provision that states an exempt employee in an hourly-rate position is to receive pay and benefits "as specified in a written agreement between the employee and the appointing authority." However, we recommend that the State's Attorney enter into written contracts as a "best business practice."*

Ms. Leitess' response states that she will consult with the Attorney General regarding our recommendation to enter into written agreements with hourly-rate employees. She also writes that the State's Attorney has historically "followed all County requirements for hiring temporary, hourly employees and a PAA is submitted for each which clearly sets forth their hourly rate, maximum hours, and benefit status."

I disagree with Ms. Leitess' assertion that the State's Attorney has historically "followed all County requirements" for hiring hourly-rate employees. A PAA is a form signed by the appointing authority authorizing a pay action. The employee does not sign it, and it is not a written contract between the appointing authority and the employee. Clearly the SAO has not followed all County requirements when there were no written agreements between the State's Attorney and eight of 10 hourly-rate employees.

- *In our report, we recommended that the SAO take action to correct the overpayments (\$2,455.73) and underpayments (\$9,630.02) we noted. Ms. Leitess' response does not address this recommendation.*

Objective #2: In our report, we recommended that SAO work with the Office of Personnel to determine whether any pay adjustments should be made for the three employees whose time sheets differed from their pay records for furlough days. Ms. Leitess' response does not address this recommendation.

Objective #3: In our report, we recommend that the SAO use the County's automated payroll system to account for leave accrued and used because the system will accrue leave consistent with the amounts accrued annually for other nonrepresented employees and deduct leave posted to the employees' timesheets, thereby eliminating any discrepancies between the timesheets and the leave records and alleviating the administrative burden on the staff to maintain manual records.

Ms. Leitess does not directly respond to this recommendation. Rather, her response states that the SAO "will continue to maintain its independence in its functions and operations as provided for bylaw while being mindful of the need for maintaining accurate leave and payroll records as well as following the County's guidelines where appropriate."

We are not questioning the State's Attorney's independence in its function and operations. Our recommendation is merely a recommendation with regard to an automated record-keeping function that would be more accurate and cost effective for the SAO.