

COUNTY COUNCIL OF WICOMICO COUNTY, MARYLAND

2017 Legislative Session

Legislative Day No. 17

Resolution 93-2017

Introduced by: The President of the Council

A RESOLUTION ACCEPTING THE FORENSIC INVESTIGATIVE REPORT, DATED MAY 11, 2017,

WHEREAS, pursuant to Resolution No. 51-2017, adopted on April 4, 2017, the County Council entered into a contract for forensic accounting services with the firm of Gross Mendelsohn & Associates, P.A., which has submitted a report regarding those services.

NOW, THEREFORE, BE IT RESOLVED, by the County Council of Wicomico County, Maryland that the Forensic Investigative Report, attached as Exhibit A, prepared and presented to the Wicomico County Council by Mr. James J. Kern, CPA, CFE, CVA, with the firm of Gross, Mendelsohn & Associates, P. A. is hereby accepted.

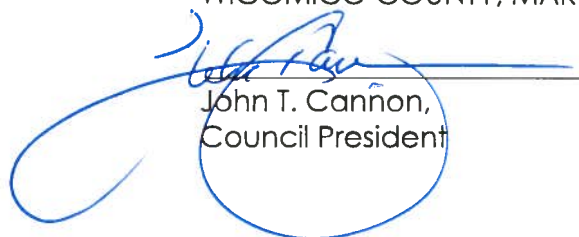
Done at Salisbury, Maryland, this 5th day of July, 2017.

ATTEST:

COUNTY COUNCIL OF
WICOMICO COUNTY, MARYLAND



Laura Hurley,
Council Administrator



John T. Cannon,
Council President

CERTIFICATION

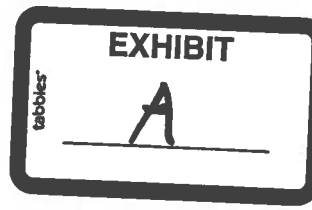
This Resolution was Adopted , Adopted with Amendments ____, Failed ____, Withdrawn ____ by the County Council on July 5, 2017.

Certified by 

Laura Hurley, Council Administrator



**GROSS
MENDELSON**
CPAs AND ADVISORS



Bright ideas. Smart solutions.

May 11, 2017

County Council of Wicomico County, Maryland
125 N. Division Street, Room 301
Salisbury, Maryland 21801-4940

Re: Forensic Accounting Services - Investigation of
Potential Fraudulent Document

Dear County Council Members:

At your request, I attempted to perform a forensic accounting investigation pertaining to a document found in a County employee's personnel file relating to a change to the employee's pay rate. The document was identified as suspicious and potentially fraudulent based upon information provided to the County's Internal Auditor, [REDACTED]. With your authorization, [REDACTED] sought my assistance as an experienced external Certified Fraud Examiner in performing the investigation.

The subject document is a letter dated November 19, 2015 identified as being from [REDACTED] Director of Finance (the name and title that appears at the top of the letter) and addressed to Mr. Culver (the County Executive). Attached is a copy of that letter which was provided to [REDACTED]. I was advised that the November 19, 2015 letter was found by the County's external audit firm (PKS & Company) while performing payroll testing which included examination of selected employee's personnel files. The person from the audit firm who provided that letter to [REDACTED] had blocked out certain salary information which may be confidential. The content of the letter references the salary information for the [REDACTED] and provides information as to the salary range for [REDACTED] at Salisbury University and at the Board of Education. The last paragraph of the letter states "Therefore an increase of _% (blocked out) for the current [REDACTED] [REDACTED] is warranted but will still be below the average salary for this position in this area". The letter contains typed signatures of [REDACTED] and [REDACTED].

During November 2016, the November 19, 2015 letter was brought to the attention of [REDACTED] who stated that [REDACTED] did not write that letter, did not gather or have knowledge of any of the information set forth in that letter and [REDACTED] expressed that [REDACTED] is "extremely concerned as to what other documents have been written and signed representing the Wicomico County Director of Finance without my knowledge" (this was stated in a letter from [REDACTED] dated November 4, 2016 which was addressed to PKS & Company, P.A., with copies sent to Mr. Culver, [REDACTED] and Mr. Wilber, see copy enclosed).

County Council of Wicomico County,
Maryland

Page Two

May 11, 2017

As I will explain within this report, I have not been able to complete the investigation because [REDACTED] and I have not been allowed to conduct interviews of certain County employees who may have information pertaining to the subject document. The factual information we seek to obtain through such interviews includes, but is not limited to, information as to the creation of the document such as discussions leading up to its creation, who requested the document be created, who actually created the document, how and by whom the information set forth within the letter was gathered and whether there is documentation, contemporaneously prepared, of such information, steps taken after creation of the letter to obtain the approval and authorization of [REDACTED] the process undertaken to present the letter to Mr. Culver and any discussions held in connection with Mr. Culver's approval of the pay rate increase.

Since we have not been allowed to conduct interviews of County employees, we have been unable to obtain sufficient factual information to complete our investigation. I have been requested to provide this report setting forth the information that I have obtained to date during my attempts to perform the requested investigation.

Details of Investigation Performed and Information Obtained

Meeting with External Audit Firm PKS & Company:

To begin the investigation, [REDACTED] and I met with [REDACTED] of PKS & Company (the County's external audit firm) at PKS' office on February 16, 2017 and obtained the following information:

In conducting the annual audit of the County's financial statements and performing certain payroll testing during late October 2016 or early November 2016, the auditors (PKS & Company) came across a letter that was in the personnel file of [REDACTED]. The letter, dated November 19, 2015, has "[REDACTED] Director of Finance", typed at the top of the letter and it was addressed to Mr. Culver. The contents of the letter related to a re-evaluation of the [REDACTED] position based on job responsibilities, provided information on salary amounts for [REDACTED] and identified a percentage increase that is warranted for the current [REDACTED] salary. The closing of the letter was "Sincerely," followed by the typed names of [REDACTED] and [REDACTED]. Each of the typed names appear twice, once as an italicized font (appearing similar to a signature) and once as normal print font. [REDACTED]

County Council of Wicomico County,
Maryland

Page Three

May 11, 2017

The auditors noted that the letter appeared unusual, such as the letter not being on County letterhead, the signatures on the letter were computer-generated typed signatures, the signature of [REDACTED] did not include [REDACTED] middle initial which [REDACTED] always includes, and they noted that a signature appearing to be Mr. Culver's on the letter looked different than his usual signature. PKS personnel showed the letter to Mr. Culver and he told them that he had in fact signed the letter and made handwritten notations revising the % increase to a lower percentage as compared to what was suggested in the letter. PKS personnel also showed the letter to [REDACTED] (after blocking out the salary information, dollars and %'s). [REDACTED] told the auditors that [REDACTED] did not write that letter. [REDACTED] told the auditors that [REDACTED] did have discussions with [REDACTED] about the [REDACTED] salary, but [REDACTED] stated that [REDACTED] did not have anything to do with that letter dated November 19, 2015.

[REDACTED] sent a letter to PKS dated November 4, 2016 stating that [REDACTED] did not write the letter dated November 19, 2015, that [REDACTED] did not research [REDACTED] salary information, and would not know if a --% increase was warranted (all of which was stated in the November 19, 2015 letter). [REDACTED] concluded the letter by stating [REDACTED] is extremely concerned as to what other documents have been written and signed representing the Wicomico County Director of Finance without [REDACTED] knowledge and that this is a very serious matter that needs to be addressed immediately.

Meeting with [REDACTED] Joined by [REDACTED] and Mr. Culver:

After our meeting with [REDACTED], [REDACTED] and I returned to the County Administration Building and proceeded to continue our investigation by attempting to interview [REDACTED]. The following is a summary of our meeting with [REDACTED] on February 16, 2017:

We went to [REDACTED] office and explained to [REDACTED] that we needed to talk to [REDACTED] about a matter involving payroll. I introduced myself and explained that I am assisting [REDACTED] with an investigation and that we have some questions for [REDACTED]. I explained that it is of utmost importance that [REDACTED] be truthful in providing answers to our questions, as the matter being investigated is very serious. I stated that we are not accusing [REDACTED] of anything, but we need to obtain facts from [REDACTED] as to the matter. I then showed [REDACTED] a copy of the November 19, 2015 letter. [REDACTED] promptly stated that [REDACTED] typed that letter based on [REDACTED] instructions, explaining that [REDACTED] was in [REDACTED] office and [REDACTED] was called into the office and [REDACTED] asked [REDACTED] to do this. After stating that, [REDACTED] stated that [REDACTED] needed to call [REDACTED] into the meeting, as [REDACTED] was not going to meet with us and answer our questions without [REDACTED] supervisor, [REDACTED] being present. [REDACTED] then called [REDACTED] and told [REDACTED] that [REDACTED] and I were asking [REDACTED] questions about the [REDACTED] letter and that [REDACTED] needed [REDACTED] to join us.

County Council of Wicomico County,
Maryland

Page Four

May 11, 2017

came to office and was accompanied by Mr. Culver. I explained to and Mr. Culver that I have been engaged by the County Council to assist with an investigation of the letter. I explained that my role was to obtain factual information from all of the parties involved and then provide a report to the County Council identifying the information I have obtained. Mr. Culver asked if I was an attorney and I replied that I am a CPA and not an attorney.

Mr. Culver stated that had told him that was deserving of a raise, and that the recommendation for such a raise needed to come from I asked when this occurred and Mr. Culver stated it occurred in the November 2015 timeframe. He also mentioned that another County employee, was present during that discussion with

I then proceeded to resume asking questions of I once again asked about the aforementioned meeting in office and what was asked to do. stated that brought up a salary increase for and asked to make phone calls to find out pay scales for. stated that called S.U. (Salisbury University) and Worcester County. I asked if took notes of those phone conversations and said that may have but doesn't know where may have put those notes.

Before I could ask any additional questions, Mr. Culver wanted to know what questions I was going to be asking and where this was going. I explained that I would be asking questions to obtain information concerning the preparation of the November 19, 2015 letter and provide a report of my findings to the County Council. stated that this is a personnel matter and should be handled as such. I stated that this is more than a personnel matter as there was an allegation of a potential fraud that needed to be investigated. At that time, Mr. Culver told us that the meeting was over and no one would be answering any more questions. He said that an attorney should be present for any further questioning.

Information Obtained from Director of Finance:

was away on vacation when we began our investigation on February 16, 2017. After returning from vacation, called me on February 20, 2017. The following information was provided by

recalls that had complained about needing a raise. recalls being with discussing the subject of a raise as part of a casual conversation. recalls discussing what considered to be a normal rate of increase. was present for at least a portion of these discussions. recalls discussing

County Council of Wicomico County,
Maryland

Page Five

May 11, 2017

that a Personnel Action Notification (P.A.N.) could be created, but [REDACTED] told [REDACTED] that [REDACTED] should not create [REDACTED] own P.A.N, but [REDACTED] or someone else should do it. [REDACTED] did not recall any discussions about gathering information on other H.R. Directors salary levels. [REDACTED] did not suggest to [REDACTED] that any information be gathered to support a raise for [REDACTED]

Sometime after the above-referenced conversation, [REDACTED] called [REDACTED] and told [REDACTED] [REDACTED] didn't need [REDACTED] help in this matter and that [REDACTED] should stay out of it. After that phone call, [REDACTED] stayed out of it.

[REDACTED] recalls that one morning [REDACTED] received a call from [REDACTED] who told [REDACTED] that Mr. Culver came down on his own and gave me a raise.

[REDACTED] stated that the November 19, 2015 letter was prepared without [REDACTED] knowledge and that [REDACTED] never requested anyone to prepare such a letter. [REDACTED] stated that [REDACTED] never provided [REDACTED] consent or approval to any such letter.

Subsequent Attempts to Schedule Interviews of County Employees to Continue Investigation

After our interview process was halted by Mr. Culver on February 16, 2017, we made several attempts to obtain cooperation to resume interviews of certain County employees who may have information and knowledge pertaining to the November 19, 2015 letter. As part of that process, we attempted to schedule meetings with the County Attorney, Mr. Wilber, and the County Administrator, [REDACTED]. A meeting was initially scheduled for March 10, 2017, but Mr. Wilber had to cancel that meeting. We provided alternative dates the following week but we received no response.

Eventually a meeting was held on April 7, 2017 in Mr. Wilber's office to discuss our investigation and the need to interview certain County employees. The meeting included Mr. Wilber, [REDACTED], [REDACTED], [REDACTED], Mr. Culver (for a portion of the meeting) and myself (via telephone). I explained the purpose of the investigation and the seriousness of potential fraudulent acts by County employees. I identified the County employees that I would like to interview as part of the investigation including [REDACTED], [REDACTED], Bob Culver, [REDACTED] and [REDACTED]. Mr. Wilber suggested that I also interview [REDACTED] who has knowledge pertaining to the November 19, 2015 letter. Mr. Wilber indicated that the interviews can take place provided that he will be present, the interviews will be recorded, employees will be given the option of being represented by counsel during the interview, and the interviews will be conducted in Mr. Wilber's office. I identified three dates in April when I was available to conduct the interviews.

County Council of Wicomico County,
Maryland

Page Six

May 11, 2017

On April 19, 2017, Mr. Wilber sent an email stating that County Executive Culver had directed that County employees not participate in interviews on the dates that had been identified. [REDACTED] replied to that email inquiring as to whether other dates are being considered and Mr. Wilber responded "Not to my knowledge".

On April 21, 2017, I received a letter from Mr. Culver stating that he is not going to authorize staff to be interviewed at this time. Mr. Culver stated, "I authorized the raise at issue and it is beyond dispute that I had the authority to authorize the raise. I am also well aware of the fact that [REDACTED] at the time was supportive of [REDACTED] receiving a raise. Under the circumstances, it is inconceivable that there was a misappropriation of monies." Mr. Culver stated, "If you can demonstrate why staff should be subjected to an interview, I will reconsider my position". Mr. Culver was also critical of our attempt to interview [REDACTED] on February 16, 2017 without advance notice and claimed that I mistreated a County employee. I sent a letter of response to Mr. Culver on April 25, 2017 (see copy attached) explaining why advance notice is not given in these types of investigations. I also stated that we did not make any accusations against [REDACTED] when we attempted to interview [REDACTED] on February 16, 2017 as we explained to [REDACTED] that we were asking questions to obtain factual information to report to the County Council. In my letter, I also explained one again (this was explained at our meeting on April 7, 2017) the seriousness of potential fraudulent acts that may have been committed by a County employee and why interviews are necessary to complete the investigation.

I subsequently received a letter from Mr. Culver dated April 28, 2017 (see copy attached) responding to my April 25, 2017 letter. In that letter, Mr. Culver states that the matter had previously been investigated by the external auditors (PKS) and ruled as a personnel issue, not fraud. That statement is not supported based on the information obtained during our meeting with [REDACTED] of PKS as they advised us that they deemed the November 19, 2015 letter to be suspicious and brought it to the attention of the County's Internal Auditor for further investigation as a potentially fraudulent document.

Summary and Conclusion

This forensic accounting investigation was initiated by the County's Internal Auditor and the County Council to investigate a document, the November 19, 2015 letter found in the personnel file of the [REDACTED] which was identified by the County's external auditors as being suspicious and potentially fraudulent. The "red flag" indicators that the document was suspicious and potentially fraudulent include that the letter, which was purported to be from the County's Director of Finance, was not on County letterhead, did not contain actual signatures but instead contained computer-generated typed signatures using an italicized font, and the signature of [REDACTED] did not contain [REDACTED] middle initial which [REDACTED] always includes as part of [REDACTED] signature. As a result of those "red flag" indicators, the external auditors showed the November 19, 2015 letter to [REDACTED] and [REDACTED] stated that [REDACTED] did not write that letter and had no knowledge of it. This was also documented in a letter that

County Council of Wicomico County,
Maryland

Page Seven

May 11, 2017

██████████ sent to the external auditors, with copies sent to Mr. Culver, ██████████ and Mr. Wilber, in which ██████████ expressed being “extremely concerned as to what other documents have been written and signed representing the Wicomico County Director of Finance without my knowledge” and that this is a very serious matter that needs to be addressed immediately.

The need for a forensic investigation to gather all relevant information as to the November 19, 2015 letter, is based on the following:

- “red flag” indicators that the subject document was suspicious and potentially fraudulent,
- the Director of Finance’s statements that ██████████ had no knowledge of the subject document or any of the information set forth in that document,
- the subject document was used to support a pay increase for the County’s ██████████ ██████████
- and conflicting statements have been made involving two high-ranking County Directors.

Mr. Culver and the County Administration have taken the position that the raise at issue (the raise that resulted from or at the very least was supported by the November 19, 2015 letter) was authorized by Mr. Culver and is a personnel matter which was addressed by the County Executive and the County Administrator. Mr. Culver has advised me that he is not going to authorize staff to be interviewed at this time, thereby precluding us from completing the forensic investigation.

The serious matter which needs to be investigated is the apparent creation of a letter made to appear as though it was from ██████████ in ██████████ position of Director of Finance, however, ██████████ has stated ██████████ had no knowledge of the letter or any of the statements made in the letter that appeared under ██████████ name and title, and also above the computer-generated typed signature of ██████████ name. This is not a personnel matter, but is a matter of investigating a potential fraudulent act. Whether the raise that was given to ██████████ was warranted, appropriate and authorized by the County Executive is not the issue to be investigated. The focus of the investigation is on the potential fraudulent document that was provided to the County Executive to support an employee raise. Interviews of all parties having any knowledge with respect to the creation of that letter, including the County Executive, are needed to obtain sufficient factual information as to how that letter came to be created and whether there was an intent to deceive associated with the creation of that letter.

Although Mr. Culver has precluded us from conducting the interviews necessary to complete the investigation, the relevant documents and the information we have obtained to date indicate that the November 19, 2015 letter that was in ██████████ personnel file was created to appear as though it was a letter from ██████████ the County’s Director of Finance providing information in support of a pay raise for ██████████ ██████████ states that ██████████ did not prepare the letter, did not request that such a letter be prepared, had no knowledge of the letter, and did not consent/authorize the use of ██████████ name, title and typed signature on the letter.



**GROSS
MENDELSON**
CPAs AND ADVISORS

Bright ideas. Smart solutions.

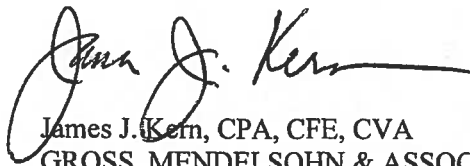
County Council of Wicomico County,
Maryland

Page Eight

May 11, 2017

This report is intended solely for the use of the County Council of Wicomico County. I thank [REDACTED] for his assistance during my investigation.

Sincerely,



James J. Kern, CPA, CFE, CVA
GROSS, MENDELSON & ASSOCIATES, P.A.

JJK:ljb

Enclosure

[REDACTED]
Director of Finance

November 19, 2015

Mr. Culver;

In reference to the re-evaluation for the [REDACTED] position based on the job responsibilities for two (2) functions, [REDACTED]. In researching I found the prior director retired in 2011 with a salary of [REDACTED]. The current director has a salary of [REDACTED]. The salary range for a [REDACTED] at Salisbury University is; [REDACTED] to [REDACTED]. The [REDACTED] position for [REDACTED] at the Board of Education has a salary of [REDACTED].

Therefore an increase of [REDACTED] % for the current [REDACTED] is warranted but will still be below the average salary for this position in this area.

Salary \$ [REDACTED] Includes [REDACTED] 8/0

Sincerely,

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] % increase = [REDACTED]
[REDACTED]
[REDACTED]



WICOMICO COUNTY, MARYLAND

P.O. BOX 4036
SALISBURY, MARYLAND 21803-4036
410-548-4840
FAX: 410-548-4807

Bob Culver
County Executive

[REDACTED]
Director of Administration

[REDACTED]
Director of Finance

November 4, 2016

[REDACTED]
PKS & Company, P.A.
1801 Sweetbay Drive
Salisbury Md, 21803
[REDACTED],

It was brought to my attention by your firm in a letter dated November 19, 2015 (attached) to Mr. Culver from [REDACTED], Director of Finance” regarding the re-evaluation for the [REDACTED] position. This letter states that in researching I found the prior director retired in 2011 with a salary of It also states the salary range for [REDACTED] at Salisbury University ... As well as the director position for [REDACTED] at the Board of Education has a salary of..... Therefore an increase of --- % for the current [REDACTED] is warranted but will still be below the average salary for this position in this area.

I did not write this letter. I did not research [REDACTED] salary at Salisbury University and Board of Education. I do not know what the prior [REDACTED] salary was. Therefore, I would not know if the increase of --- % for the current [REDACTED] is warranted but will still be below the average salary for this position in this area as stated in this letter.

As stated in the County Charter, the Director of Finance exercises all the powers and duties formerly vested in or imposed upon the County Treasurer. The Director of Finance shall have charge of the administration of financial affairs of the County including the custody and safekeeping of all funds and securities belonging to or by law deposited with, distributed to or handled by the County, the keeping and supervisions of all accounts, and the disbursement of County funds and the responsibility for the detection of all payroll items, vouchers, bills and other claims or demands that are fraudulent, erroneous, unauthorized by law or otherwise invalid, which said shall be referred to the County Attorney for further action in accordance with law. Because of all the Finance Director’s duties and responsibilities with just a few listed above, I am extremely concerned as to what other documents have



WICOMICO COUNTY, MARYLAND

P.O. BOX 4036
SALISBURY, MARYLAND 21803-4036
410-548-4840
FAX: 410-548-4807

Bob Culver
County Executive

[REDACTED]
Director of Administration

[REDACTED]
Director of Finance

been written and signed representing the Wicomico County Director of Finance without my knowledge.
This is a very serious matter. This needs to be addressed immediately.

Sincerely,

[REDACTED]

Cc: Mr. Bob Culver

[REDACTED]

Mr. Paul Wilber

[REDACTED]

attachment