

MEMORANDUM

September 22, 2009

TO: MFP Committee meeting as the Audit Committee

VIA: Duchy Trachtenberg, Chair *[Signature]*
Management and Fiscal Policy Committee

FROM: Sue Richards *[Signature]*, Senior Legislative Analyst
Leslie Rubin, Legislative Analyst *[Signature]*
Office of Legislative Oversight

SUBJECT: Meeting #3 of the MFP Committee Meeting as the Audit Committee

On September 24th, the MFP Committee meeting as the Audit Committee will hold its third meeting. Last week, MFP Committee Chair Trachtenberg emailed the Chief Administrative Officer about two Executive branch issues – the Internal Audit function and County contracting requirements.

Today, at the request of the MFP Committee Chair, the Chief Administrative Officer will brief members about the Executive Branch’s re-design of its Internal Audit function, and about staffing and other changes to administering Department of Health and Human Services’ contracts. At this meeting, Committee members will also discuss topics for the MFP Committee meeting as the Audit Committee to address in the coming year. The officials expected at today’s meeting are:

- Timothy L. Firestine, Chief Administrative Officer;
- Fariba Kassiri, Assistant Chief Administrative Officer
- Larry Dyckman, Manager, Office of Internal Audit
- Uma Ahluwalia, Director, DHHS
- Corinne Stevens, Chief Operating Officer, DHHS
- Sherry White, Chief, Financial Operations, DHHS

OLO recommends the following agenda for today’s meeting.

Item #	Description	Time
1.	Status Report on the Re-design of the Executive Branch’s Internal Audit Functions – Mr. Firestine	20 min.
2.	Briefing on the Executive Branch’s Response to Recent DHHS Contracting Issues – Mr. Firestine	20 min.
3.	Committee Discussion to Develop Working List of Agenda Items for 2010	15 min.

Item #1. STATUS REPORT ON THE RE-DESIGN OF THE EXECUTIVE BRANCH'S INTERNAL AUDIT FUNCTION – MR. FIRESTINE

At its meeting in March 2009, Mr. Firestine informed the Committee about planned staffing changes to the County Government's Internal Audit program. At today's meeting Mr. Firestine will brief the Committee on the status of this effort. In particular, Committee Chair Trachtenberg has asked the CAO to address why the function was contracted out, to explain the personnel shifts made as a result of this re-design, to describe the parameters of the new function, and to report the status of any contract bids. (See ©1 for the Internal Audit program description excerpted from the Approved FY10 Operating Budget.)

Item #2. BRIEFING ON THE EXECUTIVE BRANCH'S RESPONSE TO RECENT DHHS CONTRACTING ISSUES – MR. FIRESTINE

At a meeting in February 2009 and most recently at the Council's breakfast with the Executive last week, Councilmembers raised questions about the Department of Health and Human Services' (DHHS) contracts. At today's meeting, Mr. Firestine and representatives from DHHS will provide the Committee with a comprehensive understanding of the improvements DHHS has made to its contracting practices.

(Note – At the Council's breakfast last week with the County Executive, HHS Committee Chair Leventhal and MFP Committee Chair Trachtenberg announced their intent to schedule an evening meeting with representatives from the Department of Health and Human Services and Office of Procurement, County Government contractors, and the Inspector General to discuss the Department of Health and Human Services revised invoicing requirements and general contract requirements for County Government. The joint HHS/MFP Committee forum is tentatively scheduled for October 29, 2009 at 7:30 p.m.)

Item #3. COMMITTEE DISCUSSION TO DEVELOP WORKING LIST OF 2010 AGENDA ITEMS

The Council Resolution establishing the MFP Committee's function as the Council's Audit Committee requests the MFP Committee to meet as the Audit Committee at least four times a year and report its findings and recommendations to the Council each December.¹ Today is the third (of four) meetings for 2009. (The last meeting for 2009 is scheduled for November 10th.) As the Committee moves ahead with its charge to strengthen oversight of the Council's and County Government's audit activities, Mrs. Trachtenberg would like the Committee to brainstorm ideas for a working list of agenda items for 2010.

LIST OF ATTACHMENTS

Description	Begins at © #
County Government Internal Audit program description from the Approved FY10 Operating Budget	1

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¹ See Council Resolution 16-826.

County Executive

MISSION STATEMENT

The Offices of the County Executive provide political leadership to the community and administrative direction to the County's departments and offices. The Office is committed to providing accurate, timely, and effective staff support to the County Executive and the Chief Administrative Officer (CAO) as they address their responsibilities in an atmosphere that is characterized by excellence, efficiency, openness, outreach, equity, and integrity.

BUDGET OVERVIEW

The total approved FY10 Operating Budget for the Offices of the County Executive is \$6,602,300, a decrease of \$623,310 or 8.6 percent from the FY09 Approved Budget of \$7,225,610. Personnel Costs comprise 86.4 percent of the budget for 49 full-time positions and seven part-time positions for 46.7 workyears. Operating Expenses account for the remaining 13.6 percent of the FY10 budget.

County Government Reorganization

In FY09, the County Executive implemented a reorganization of Montgomery County Government designed to improve effectiveness, customer service, accessibility, and efficiency. As part of this plan, internal audit responsibilities were moved out of the Department of Finance and into the Offices of the County Executive. In the budget summary, FY08 actuals reflect the old organizational structure, while the FY09 budget, FY09 estimate, and FY10 budget figures reflect the new organizational structure.

LINKAGE TO COUNTY RESULTS AREAS

The Offices of the County Executive support all eight of the County Results Area.

PERFORMANCE MEASURES

The primary focus of the Offices of the County Executive is to provide policy direction, reinforce accountability, and ensure the achievement of results. In support of these objectives, the focus has been on the following:

- development of performance plans with detailed performance targets for major County departments;
- development of related performance measures to gauge efficiency and effectiveness; and
- development of data collection systems to facilitate performance analysis.

The department budget sections reflect many of the performance measures developed as part of this process. During the coming year, additional efforts will be undertaken to measure results and identify further enhancements.

In addition, this department's Capital Improvements Program (CIP) requires Current Revenue funding.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ *CountyStat has finalized a set of outcome-based headline measures for all major government departments that will be used moving forward to track the effectiveness of departmental performance. These are the measures that the Office of Management and Budget has begun to use to implement its results based budgeting initiative.*
- ❖ *CountyStat has, in collaboration with representatives from relevant departments, the County Council, Maryland-National Capital Park and Planning Commission, and the Montgomery County Public Schools, developed a set of high level indicators that will be used to show the state of Montgomery County compared to peer counties across the nation, in terms of the eight priority areas outlined by County Executive Leggett.*
- ❖ *In order to train and build analytical capacity within departments, CountyStat developed and launched the CountyStat Fellowship program.*
- ❖ *CountyStat developed and conducted the County's first internal customer service survey.*

e-mail newsletter. The Volunteer Center promotes volunteerism as a community ethic among government, business, religious, civic and educational segments of the community. The Center also coordinates grants associated with volunteer activities.

FY10 Approved Changes	Expenditures	WYs
FY09 Approved	1,460,060	12.5
Decrease Cost: Dr. Martin Luther King, Jr. Day Event	-5,460	0.0
Decrease Cost: Retirement Incentive Program (RIP) Savings	-5,890	0.0
Eliminate: Termination of Corporate Volunteer Council Grant	-21,850	-0.5
Technical Adj: Miscellaneous Grant Adjustments	-21,980	0.5
Decrease Cost: Events Coordinator - Office of Community Partnerships	-85,080	-1.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	14,800	0.0
FY10 Approved	1,334,600	11.5

Planning and Fiscal Analysis of Infrastructure Needs

This program coordinates the review and analysis of referrals regarding master plans, master plan amendments, functional plans, growth policy, adequate public facilities, annexation plans, zoning text amendments, and other land use and planning-related proposals submitted to the Executive Branch and/or the Office of the CE/CAO for review and/or comment. The staff also manages the Base Realignment and Closure grant.

FY10 Approved Changes	Expenditures	WYs
FY09 Approved	226,110	2.0
Decrease Cost: Planning Implementation Office Operating Expenses	-10,800	0.0
Decrease Cost: Planning Manager	-81,820	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-8,780	-1.0
FY10 Approved	124,710	1.0

Internal Audit

This program provides independent services such as: county-wide risk assessment, identification of areas of risk in accountability systems, strategic risk-based multi-year audit plan, county-wide training on compliance and accountability; and conducts financial, operational and performance audits. The core function of this program is to improve internal controls and provide reasonable assurance regarding the achievement of the following objectives: reliability of financial reporting; effectiveness and efficiency of operations; compliance with laws, regulations, policies and procedures; deterring and investigating fraud; and safeguarding County assets.

FY10 Approved Changes	Expenditures	WYs
FY09 Approved	921,860	4.8
Increase Cost: Annualization of FY09 Operating Expenses	6,440	0.0
Reduce: Eliminate vacant Accountant/Auditor position	-70,000	-1.0
Decrease Cost: Redesign of Internal Audit Functions	-184,090	-3.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-9,440	0.2
FY10 Approved	664,770	1.0

Administration

The Administration program provides budget development and analysis, fiscal and inventory control, personnel and payroll management, training and supervision, procurement, and contract administration.

FY10 Approved Changes	Expenditures	WYs
FY09 Approved	197,210	2.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	15,190	0.0
FY10 Approved	212,400	2.0

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BUDGET SUMMARY

	Actual FY08	Budget FY09	Estimated FY09	Approved FY10	% Chg Bud/App
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	3,501,359	4,916,190	4,756,600	4,281,980	-12.9%
Employee Benefits	949,692	1,401,030	1,243,830	1,236,290	-11.8%
County General Fund Personnel Costs	4,451,051	6,317,220	6,000,430	5,518,270	-12.6%
Operating Expenses	523,326	662,220	643,600	881,690	33.1%
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	4,974,377	6,979,440	6,644,030	6,399,960	-8.3%
PERSONNEL					
Full-Time	39	49	49	47	-4.1%
Part-Time	9	8	8	7	-12.5%
Workyears	38.2	49.5	49.5	44.2	-10.7%
GRANT FUND MCG					
EXPENDITURES					
Salaries and Wages	189,674	178,980	299,780	146,730	-18.0%
Employee Benefits	46,860	50,900	64,180	38,190	-25.0%
Grant Fund MCG Personnel Costs	236,534	229,880	363,960	184,920	-19.6%
Operating Expenses	144,390	16,290	350,980	17,420	6.9%
Capital Outlay	0	0	0	0	—
Grant Fund MCG Expenditures	380,924	246,170	714,940	202,340	-17.8%
PERSONNEL					
Full-Time	2	2	2	2	—
Part-Time	0	0	0	0	—
Workyears	2.5	2.5	2.5	2.5	—
REVENUES					
MLK Day of Service	0	0	10,000	0	—
Retired Senior Volunteer Program	69,419	105,080	142,890	77,630	-26.1%
Service Learning Impacting Citizenship	8,008	0	0	0	—
Corporate Volunteer Council	19,740	21,850	21,840	0	—
Urban Areas Security Initiative	114,113	0	408,000	0	—
Base Realignment and Closure	109,444	119,240	124,710	124,710	4.6%
Natl Assoc of County & City Health Officials	5,599	0	0	0	—
Summer of Service	0	0	7,500	0	—
Grant Fund MCG Revenues	326,323	246,170	714,940	202,340	-17.8%
DEPARTMENT TOTALS					
Total Expenditures	5,355,301	7,225,610	7,358,970	6,602,300	-8.6%
Total Full-Time Positions	41	51	51	49	-3.9%
Total Part-Time Positions	9	8	8	7	-12.5%
Total Workyears	40.7	52.0	52.0	46.7	-10.2%
Total Revenues	326,323	246,170	714,940	202,340	-17.8%

FY10 APPROVED CHANGES

	Expenditures	WYs
COUNTY GENERAL FUND		
FY09 ORIGINAL APPROPRIATION	6,979,440	49.5
Changes (with service impacts)		
Eliminate: Clarksburg Ombudsman position [CAO - Supervision & Management of Executive Branch Depts.]	-51,980	-0.4
Reduce: Eliminate vacant Accountant/Auditor position [Internal Audit]	-70,000	-1.0
Reduce: Lapse Special Assistant to the County Executive [County Executive - Policy Planning and Development]	-103,000	-0.5
Other Adjustments (with no service impacts)		
Increase Cost: Annualization of FY09 Personnel Costs	135,930	1.5
Increase Cost: Retirement Adjustment	18,070	0.0
Increase Cost: Service Increment	17,130	0.0
Increase Cost: Group Insurance Adjustment	13,710	0.0
Increase Cost: Annualization of FY09 Operating Expenses [Internal Audit]	6,440	0.0
Increase Cost: Printing and Mail Adjustments [CAO - Supervision & Management of Executive Branch Depts.]	1,910	0.0

	Expenditures	WYs
Technical Adj: Correction for workyears charged to prior year grant	0	-0.8
Technical Adj: Correction of workyears from FY09 [CAO - Supervision & Management of Executive Branch Depts.]	0	-0.1
Decrease Cost: Central Duplicating Deficit Recovery Charge [CAO - Supervision & Management of Executive Branch Depts.]	-540	0.0
Decrease Cost: CountyStat Blackberries [CAO - Supervision & Management of Executive Branch Depts.]	-3,840	0.0
Decrease Cost: Motor Pool Rate Adjustment [CAO - Supervision & Management of Executive Branch Depts.]	-4,010	0.0
Decrease Cost: Dr. Martin Luther King, Jr. Day Event [Community Partnerships]	-5,460	0.0
Decrease Cost: Retirement Incentive Program (RIP) Savings [Community Partnerships]	-5,890	0.0
Decrease Cost: Planning Implementation Office Operating Expenses [Planning and Fiscal Analysis of Infrastructure Needs]	-10,800	0.0
Decrease Cost: Training for CountyStat Staff [CAO - Supervision & Management of Executive Branch Depts.]	-13,000	0.0
Decrease Cost: Additional Lapse Savings	-19,070	0.0
Decrease Cost: Allocation of Savings Associated with MC311 Efficiencies	-48,100	0.0
Decrease Cost: Planning Manager [Planning and Fiscal Analysis of Infrastructure Needs]	-81,820	0.0
Decrease Cost: Events Coordinator - Office of Community Partnerships [Community Partnerships]	-85,080	-1.0
Decrease Cost: Lapse [CAO - Supervision & Management of Executive Branch Depts.]	-85,990	0.0
Decrease Cost: Redesign of Internal Audit Functions [Internal Audit]	-184,090	-3.0
FY10 APPROVED:	6,399,960	44.2
GRANT FUND MCG		
FY09 ORIGINAL APPROPRIATION	246,170	2.5
Changes (with service impacts)		
Eliminate: Termination of Corporate Volunteer Council Grant [Community Partnerships]	-21,850	-0.5
Other Adjustments (with no service impacts)		
Technical Adj: Miscellaneous Grant Adjustments [Community Partnerships]	-21,980	0.5
FY10 APPROVED:	202,340	2.5

PROGRAM SUMMARY

Program Name	FY09 Approved		FY10 Approved	
	Expenditures	WYs	Expenditures	WYs
County Executive - Policy Planning and Development	1,306,560	9.0	1,242,140	8.5
CAO - Supervision & Management of Executive Branch Depts.	3,113,810	21.7	3,023,680	22.7
Community Partnerships	1,460,060	12.5	1,334,600	11.5
Planning and Fiscal Analysis of Infrastructure Needs	226,110	2.0	124,710	1.0
Internal Audit	921,860	4.8	664,770	1.0
Administration	197,210	2.0	212,400	2.0
Total	7,225,610	52.0	6,602,300	46.7

CHARGES TO OTHER DEPARTMENTS

Charged Department	Charged Fund	FY09		FY10	
		Total\$	WYs	Total\$	WYs
COUNTY GENERAL FUND					
CIP	CIP	303,340	1.8	671,880	4.5

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