

MEMORANDUM

January 31, 2012

TO: Audit Committee

FROM: Sue Richards, Senior Legislative Analyst
Office of Legislative Oversight

SUBJECT: Updates from the Office of the Inspector General and the Office of Internal Audit, and Status Reports on the County Government's Three-Year Internal Audit Work Plan and Monitoring Practices for Recommendations in Previously Released Reports

On February 2nd, the Audit Committee has four agenda items. For each item, the tables below list the topic, proposed discussion times, and the participants expected to attend the worksession.

Item #	Topic	Suggested Time	Discussion on page -	Materials on © page
1	An update from the Office of the Inspector General	10 minutes	2	©1-2
2	An update from the Office of Internal Audit	10 minutes	2	©3
3	Discussion with Executive staff - Status report on the countywide risk assessment and multi-year audit plan for Executive branch departments	20 minutes	2	©3, ©6 and ©7
4	Discussion with Executive staff - Implementation of recommendations in previously released Office of Internal Audit reports	20 minutes	3	©4 and ©8-19

Item #	Department/Office	Staff
1	Office of the Inspector General	Edward L. Blansitt III, Inspector General
2	Office of Internal Audit	Fariba Kassiri, ACAO Larry Dyckman, Manager
3 and 4	Office of the Chief Administrative Officer (CAO) Office of Internal Audit Cherry, Bekaert & Holland, L.L.P	Fariba Kassiri, ACAO Larry Dyckman, Manager Frank Spasoff, Partner

A. Status Reports

ITEMS #1 AND #2: UPDATES FROM THE INSPECTOR GENERAL AND THE OFFICE OF INTERNAL AUDIT

The Committee will receive updates from the Inspector General, Edward L. Blansitt III (at ©1-2), ACAO Fariba Kassiri, and Larry Dyckman, Manager of the Office of Internal Audit (at ©3). They will provide information about reports released since their last update before the Audit Committee, projects they are currently working on and other matters for the Committee's attention.

B. Briefing and Discussion Items

ITEM #3: UPDATE ON THE MULTI-YEAR AUDIT PLAN FOR EXECUTIVE BRANCH DEPARTMENTS

In May 2010, the County Government completed a countywide risk assessment and multi-year audit plan to guide its audit work to allow the Office of Internal Audit (OIA) to address the County's most significant audit risks. The risk assessment identified 112 potential audits. The proposed three-year work plan included all of the audits for units identified as high risk (26) plus audits for five (of the 68) units identified as moderate risk. The completion of these audits was spread over three years, with 10 scheduled for completion in Year 1, 11 in Year 2 and 10 in Year 3.

Today, Ms. Kassiri will brief the Audit Committee on the status of the risk assessment and execution of the three-year work plan. A statement from the Office of the Executive begins at ©3. Ms. Kassiri reports that they have used the audit plan as a general guide to plan audits, not as a rigid document. In some cases, they have combined proposed audits or leveraged recommendations stemming from one audit by applying them across multiple departments. They have also conducted audits that were not listed on the original plan, such as an audit of the Controls over MCDOT Revenue Processing Center and an audit of the Correctional Officer Salary Schedule Conversion by DOCR and OHR.

A chart from the Office of Internal Audit updating the status of the work plan (at ©6) and a summary prepared by OLO sorted by plan year and status (at ©7) shows:

- **Execution of the three-year work plan is well underway.** Specifically, 18 of 31 audits in the three-year plan are complete (9) or ongoing (9).¹ Executive staff expect to complete two ongoing audits, e.g., contract monitoring for non-HHS departments and disability compliance, this summer.
- **The ongoing audits of contract monitoring and management and disability compliance each consolidate three or four separate audits into one larger audit.** Specifically, an audit of contract monitoring and management in non-HHS departments consolidates 4 audits (of MCFRS, DGS, Police and Transportation) into one audit; and the audit of disability eligibility consolidates 3 audits (of MCFRS, Police and OHR) into one ongoing audit.
- **Audit work on the capital improvements program was also consolidated into one project.** Three proposed audits of the capital improvement program, i.e., estimation of costs, contract monitoring and management and change order management, received limited coverage.

¹ Of the audits classified as complete, seven have been issued and two, DHHS Grant Acquisition, Management and Monitoring and Accounts Payable – the Purchase Card Program, are scheduled to be issued in March 2012. Of the ongoing audits, one, IT Post Implementation Review – ERP, is planned for late FY2012.

OLO suggests the following questions to structure the Audit Committee’s discussion with Executive branch staff of the Countywide risk assessment:

1. What observations do Executive staff and the consultant have about the risk levels of County Government’s management and business practices based on the audit work completed to date?
2. What is the rationale for consolidating the proposed audits of contract monitoring in MCFRS (#10B), DGS (#11A), Police (#19A) and DOT (#25B) into one large audit? How does this consolidation change the original scope of these audits and how might it change the results?
3. What is the rationale and what are the potential effects on results of a similar proposed change to the disability and eligibility audits for MCFRS (#10C) and Police (#19B) and OHR (#14A)?

ITEM #4: RECOMMENDATIONS IN PREVIOUSLY RELEASED REPORTS – PRACTICES AND STATUS REPORT

This item addresses the Chief Administrative Officer’s practices for monitoring implementation of audit report recommendations in previously released reports. According to Ms. Kassiri, the CAO has established a formal system for tracking recommendations that consists of:

- Formally transmitting each report to the Department director with a request for submission of a written action plan within 60 days (see Attachment 2, ©8-10);
- Quarterly reporting about the status of the recommendations from Department directors to the Office of Internal Audit (see Attachment 3, ©11); and
- Including Internal Audit report follow-up as an item in the performance plan process for each Department Director (see Attachment 5, ©13-19).

The summary table of recommendations and their implementation status shows 42 of 71 recommendations are implemented; 29 are in progress; and 13 are not yet in the monitoring process.

Audit Title (Report Number)	Issue Date	Department	# of Recommendations ...		
			Issued	Implemented	In Progress
DPS Construction Fees (10-1)	9/22/09	DPS	5	5	0
Wage Requirements (10-3)	4/20/10	DGS/DOT	8	8	0
Tuition Assistance Program (10-4)	6/3/10	OHR	16	13	3
Police Overtime (11-1)	2/17/11	MCPD	5	4	1
HHS Contract Monitoring (11-2)	5/6/11	DHHS	15	2	13
Liquor Control POS (11-3)	6/30/11	DLC	15	7	8
CIP Invoices (12-2)	9/13/11	DOT/DGS	7	3	4
Subtotal for Reports with Action Plans			71	42	29
DOT Cash (12-3)	11/3/11	DOT/Finance	9	TBD	TBD
Correction Officers Pay Matrix	11/28/11	OHR	4	TBD	TBD
Subtotal for Recently Released Reports			13	TBD	TBD
GRAND TOTAL			84	42	29

OLO suggests the following questions to structure the Committee's discussion with Executive staff:

1. **Based on the Offices' experience to date, what factors affect how quickly departments are able to implement audit recommendations?**
2. **How are the follow-up and monitoring practices amended when there are recommendations with implementation responsibilities that cross departments?**
3. **What are the Office of Internal Audit's practices for verifying the status of recommendations that the departments report?**

LIST OF ATTACHMENTS

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Statement from the Office of the County Executive – Presentation to the Audit Committee – February 2, 2012, 2:00 p.m. 7 th Floor Council Hearing Room	3-5
Attachment #1 – Summary Chart of County-Wide Risk Assessment of Executive Branch Departments Audit Plan Year 1-3. Prepared by Montgomery County Office of the County Executive	6
Summary Chart of County-Wide Risk Assessment of Executive Branch Departments. Display of Attachment #1 sorted by Plan Year prepared by OLO.	7
Attachment #2 – Screenshot of email from Fariba Kassiri to Chief Manger re Transmittal of Internal Audit Report on Police Overtime (MCIA-11-1) and excerpts (cover and highlights page) from the Police Overtime Audit Report dated 2-17-11	8-10
Attachment #3 – Sample copy of a departmental quarterly report submitted to the Office of the CAO and the Office of Internal Audit to monitor the implementation status of audit recommendations	11
Attachment #4 – Executive summary of the Status of Audit Recommendations for Audit Reports issued since FY 2010	12
Attachment #5 – MCPD FY2011 Performance Plan cover page and Addendum: Responsive and Sustainable Leadership. (Note – For complete performance plan, see http://www.montgomerycountymd.gov/content/exec/stat/pdfs/mcpd_fy11.pdf)	13-19

**Montgomery County Maryland
Presentation before the Audit Committee
Edward Blansitt, Inspector General
February 2, 2012**

Council Vice President Navarro and members of the Committee, I appreciate the opportunity to appear before you to provide a brief status report on the Office of Inspector General (OIG).

Since late October of 2011, when I briefed you on our FY 2012-2013 work plan, my office has accomplished a number of planned objectives.

Establish effective working relationships with and earn the trust of our stakeholders—

During this Fiscal year we have met with a number of Executives of County agencies and County Government, as well as with several small civic and community groups.

Since October we have met with the Executive Director and Audit Director of M-NCPPC, the CEO, CFO, and Audit Director of WSSC, and executives and staff of HOC to establish working relationships.

Three upcoming meetings are currently scheduled, and the announcement of an OIG advisory group is being finalized.

Serve as catalysts for positive change throughout the County—

Since our last update we have issued two final reports, and presented them to the appropriate Committees. Our review of the vehicle management practices of the Fleet Management Services Division's administrative vehicle light fleet was issued in early December, and our evaluation of the budget and financial information provided by the Montgomery County Public Schools was issued in early January.

Three other reviews identified in our work plan are now in progress. Two of these, a review of the Ethics Commission and the review of one office's purchase card use, are nearing the exit conference stage. We expect to complete all work that is indicated on our work plan for FY 2012 by, or soon after, the end of this FY and initiate work on two of the FY 2013 items prior to the end of this FY.

Address allegations and complaints raised by County leaders, employees and/or residents regarding a wide variety of issues and/or concerns—

In addition to the complaints under review at the end of last fiscal year, this fiscal year we have received 39 new complaints, all of which were reviewed within 5 business days of receipt. Of these complaints, 22 identified sufficient concerns for us to make preliminary inquiries or further action or to consider as candidates for audit in 2012 or 2013.

①

Since the start of this FY, we have closed 10 inquiries. Three other issues are still being actively reviewed. One was referred to management, and remedial action was taken. Others were closed because we determined that the issues raised were resolved without need of further OIG action or were closed because the allegations were not substantiated.

Refer credible allegations of employee misconduct to management for inquiry and appropriate action with response to OIG for appropriate follow-up—

As of our last status meeting, a number of complaints had been referred to County management. As of this date, a total of 13 referrals have been provided to County management and other County and State Agencies. Seven of the referrals have been resolved. The others are pending review and/or further action by management or the County or State agency.

Initiatives—

We converted operation of the OIG fraud hotline to a fully staff supported activity. This is enabling us to obtain more information from callers and at an annualized cost about \$9,000 lower than we incurred using a contractor supported hotline.

In early December we staffed the remaining positions for which the Council provided funding this year. Two very qualified Montgomery County residents are now on the staff, each of whom brings a different set of skills to the position. Their addition completes our initial staffing complement, allows us to address a wider range of issues and reduces our reliance on contract resources.

The most important improvement will be the completion and implementation of updated OIG policies and procedures that are consistent with Government auditing standards. This will help us ensure the quality of our audit and investigative work and undergo peer review during 2013, as is required to meet audit standards.

This concludes my prepared update regarding OIG activities.

I welcome your questions or comments.

February 2, 2012 – 2:00 PM 7TH Floor Council Hearing Room

**Office of the County Executive
Presentation to the Audit Committee on:**

1. Report on new Audit Reports issued and Ongoing Audits since last Audit Committee meeting of October 24, 2011.
2. Status of the County-Wide Risk Assessment and three-year Audit Plan;
3. Overview of the CAO's formal system for tracking and monitoring the status of Audit recommendations in issued reports.

This document is intended to present a general status report of the ongoing audits and the audits issued since the last Audit Committee meeting, provide the status of the May 2010 County-Wide Risk Assessment and three-year Audit Plan, and also provide an overview of the CAO's follow-up and monitoring system on the status of the open recommendations in previously released audit reports within the past 2 years.

1. New Audit Reports issued and Ongoing Audits since last Audit Committee meeting on October 24, 2011:

New Audit Reports Issued:

- **Controls over MCDOT Revenue Processing Center** (Issued 11/3/11)
- **Correctional Officer Salary Schedule Conversion by DOCR and OHR** (Issued 11/28/11)

Ongoing Audits:

- **Contracts and Grants Awarding and Monitoring:** This audit involves reviewing contracts and grants awarded by non-HHS departments to ascertain the effectiveness of controls over pre-award actions and performance and financial monitoring by involved departments. The audit began in January and is in the planning stage. We expect to complete the audit this summer.
- **Disability Program compliance Audit:** This audit involves determining whether disability payments made to employees or former employees are being made in accordance with applicable County laws, regulations and labor agreements, including eligibility requirements. The audit began in January and is in the planning stage. We expect to complete the audit this summer.
- **The County Government's Purchase Card Program:** This audit assesses whether the County's current policies and procedures provide adequate internal control over the Purchase Card Program. We expect to complete this audit shortly.

2. Status of the County-Wide Risk Assessment and three-year Audit Plan:

As you know, we performed a County -Wide Risk Assessment to better understand the County Government's operational environment and the areas that present the greatest vulnerabilities or risk of waste, fraud or abuse. The specific objectives of the risk assessment were to:

- Assess the risk of the County government' major executive branch departments, programs and functions.
- Develop a risk-based multi-year audit plan.

In performing the assessment, risk was defined in terms of likelihood and impact. We rated departments in ten defined risk areas, including budget, financial operations, information technology, integrity and fraud, customer service, and health and safety risks. To our knowledge this was the first strategic risk based assessment of the County government's departments. The assessment and the resulting three-year audit plan were prepared by the CPA firm of Cherry, Bekaert & Holland, under the general guidance of Larry Dyckman, our Internal Audit Manager.

The risk assessment rated 30 departments (including offices and government functions such as CIP). Of the 30, we assessed 9 as being high risk, 7 as moderate, and 14 as low. The determination that a department is high risk is principally a reflection of the nature of the programs or functions under the department's jurisdiction; it is not meant to imply inadequate management.

From the 30 departments and functions included in the assessment, the risk assessment identified 112 potentials internal audits. Those 112 potential audits were rated as high risk, moderate risk and low risk. We ended up with 26 potential audits in high risk, 68 in moderate risk and 18 in low risk categories. We then developed a three year audit plan, which included a total of 31 of the potential 112 audits. The three year plan included all 26 potential high risk audits and 5 of the 68 potential moderate risk audits. We attempted to spread the audits over the three year period in a balanced manner.

It is important to note that at times we will be performing audits not listed in the risk assessment or the resulting audit plan. This could be because an issue arises that had not been included in the risk assessment or a department's or program's risks has changed. Additionally we may find it more effective or efficient to combine proposed audits or, based on applicability, leverage recommendations from one audit and apply them across multiple departments or offices. For example, after conducting the HHS contract monitoring audit and consulting with DGS/Procurement, the CAO decided to examine the usefulness of applying certain HHS audit recommendations across all County departments.

In summary, the audit plan should be viewed as a general roadmap to guide us in selecting areas to audit using a risk based process; but it is not a rigid document that must be carried out precisely as stated. In this regard, excluding the risk assessment audit report itself, we have completed 10 audit reports since fiscal year 2010. Of these 10 completed audits, 5 were identified as high risk audits from the risk assessment, 1 was medium risk, 1 was legislatively mandated, and 3 involved unanticipated critical problem areas that arose.

Attachment #1 shows the status of each of the 31 proposed audits contained in the three-year audit plan. Within approximately one and half years, taking into account audits that have been combined, we have completed 10 of the identified audits, are in the process of performing and completing 8, planning to start 2 by the year's end, and have the remaining 11 potential audits to start/complete within the three year cycle.

In summary, 60% of the identified audits have been either issued or are in the process of being completed. The remaining 40% of potential audits will be started/completed within the 3 year cycle.

3. Overview of the CAO's formal system for tracking and monitoring the status of audit recommendations in issued reports:

The CAO strongly believes that the true value of the internal audit function is solely dependent on the management team's timely implementation of the audit recommendations. Accordingly, we have established a formal system for tracking the status of all audit recommendations in issued reports. The CAO is holding department directors accountable for taking prompt and effective corrective actions in response to audit recommendations.

The tracking system involves the following:

- Audit reports which contain recommendations for corrective action are, on behalf of the CAO, formally transmitted to the impacted department director(s), who are asked to submit an "action plan" in writing to the CAO within 60 days. Please refer to **Attachment #2** for a sample copy of a transmittal package. The department director is required to transmit its action plan for each report recommendation. The action plan must contain how the department has addressed or intends to address each applicable recommendation along with a timeline for implementation.
- Departments must subsequently submit quarterly follow up reports, using a prescribed recommendation response form, giving the status of each remaining open recommendation until all recommendations are implemented. Please refer to **Attachment #3** for sample copy of a quarterly report. Also, attached for your information, is an executive summary of the status of audit recommendations issued since fiscal year 2010 (**Attachment #4**).
- In addition, Internal Audit Report Follow-Up is part of each Department's Performance Plan that is posted on CountyStat website, reviewed at least once a year with CAO at a CountyStat session and annually discussed at a performance review meeting with the County Executive and the CAO. Please refer to page 15 of **Attachment #5**, which is a sample copy of a Department's Performance Plan.

Montgomery County, MD
County-Wide Risk Assessment of Executive Branch Departments
Audit Plan Year 1-3

Attachment #1

Audit Number	Department	Audit Short Name	Overall Rating	Plan Year			Status of Audits in Three-Year Audit Plan (as of Jan 25, 2012)	
				1	2	3		
1	9A	Finance	Follow up - Treasury Risk Assessment	H		√	Not started	
2	10A	Fire and Rescue Service	Capital Improvement (Monitoring/Management)	H			√	Not started
3	10B	Fire and Rescue Service	Contract (Monitoring/Management)	H	√			Ongoing: See Note A
4	10C	Fire and Rescue Service	Disability (Eligibility)	H		√		Ongoing: See Note B
5	11A	General Services	Contract (Monitoring/Management)	H		√		Ongoing: See Note A
6	11B	General Services	Procurement (Sole Source/Non Competitive)	H		√		Not started
7	12A	Health and Human Services	Contract (Monitoring/Management)	H	√			Completed for financial monitoring, performance monitoring remaining
8	12B	Health and Human Services	Grant (Acquisition, Management, Monitoring)	H		√		Completed for financial monitoring, performance monitoring remaining
9	12C	Health and Human Services	Grant (Acquisition, Management, Monitoring) - ARRA	H	√			Completed (almost) by Finance; will be issued in March 2012
10	14A	Human Resources	Benefit Audits - Eligibility / Accrual (Health, Disability, Workers Comp, Pension)	H			√	Ongoing for disability, See Note B
11	14B	Human Resources	Benefit Audits- Payments/Expenses (Health, Disability, Pension)	H	√			Not started
12	16A	Liquor Control	Inventory (Management)	H			√	Not started
13	16B	Liquor Control	IT Post Implementation Review (Point of Sale/Inventory)	H	√			Completed
14	16C	Liquor Control	Revenue (Sales/Cash Handling)	H		√		Not started
15	19A	Police	Contract (Monitoring/Management)	H			√	Ongoing: See Note A
16	19B	Police	Disability (Eligibility)	H		√		Ongoing: See Note B
17	19C	Police	Overtime (e.g., court appearances /timekeeping)	H	√			Completed
18	24A	Technology Services	IT Post Implementation Review (ERP)	H	√			Planned for late FY 12
19	24B	Technology Services	IT Business Continuity (Disaster Recovery)	H		√		Not started
20	24C	Technology Services	IT CIP Projects (Procurements e.g. ERP, MCTime)	H		√		Not started
21	24D	Technology Services	IT Standards (Review/Department Compliance)	H			√	Not started
22	25A	Transportation	Capital Improvement (Monitoring/Management)	H			√	Completed
23	25B	Transportation	Contract (Monitoring/Management)	H			√	Ongoing: See Note A
24	30A	Capital Improvement Program	Contract (Change Order Management)	H			√	Completed: See Note C
25	30B	Capital Improvement Program	Contract (Monitoring/Management)	H		√		Completed: See Note C
26	30C	Capital Improvement Program	Project (Estimation of Cost)	H	√			Completed: See Note C
27	9B	Finance	Accounts Payable (Payment Authorization)	M			√	Not started
28	9C	Finance	Accounts Payable (Purchase Card Program)	M	√			Completed (almost)
29	13D	Housing and Community Affairs	Revenue Fees and Licenses (Collections and Handling)	M			√	Not started
30	24E	Technology Services	IT Post Implementation Review (MC Time)	M	√			Not started
31	25E	Transportation	Inventory Department Warehouse (Management / IT Systems)	M		√		Not started

Status of the 31 Recommended Audits in Three-Year Audit Plan (Since FY10):

8 Ongoing, 10 Completed, 13 Not Started

Note A: These audits have been combined into one ongoing audit of non-HHS contracts and grants being performed at various departments.

Note B: These audits on disability have been combined into one ongoing audit.

Note C: We performed one CIP audit which concentrated on invoice review but covered these other subjects on a limited basis.

Not Started: These audits will be considered for initiation in FY's 2013 and 2014.



Montgomery County, MD: County-Wide Risk Assessment of Executive Branch Departments
Audit Plan Year 1-3
Summary Chart Prepared by OLO - Sorted by Year and Status

Audit Number	Dept	Audit Short Name	Risk Rating	Status of Audits			Notes
				Complete	Ongoing/Planned	Not Started	
YEAR ONE							
10B	MCFRS	Contract (Monitoring/Management)	H		√ (A)		Combined: See Note A
12A	DHHS	Contract (Monitoring/Management)	H	√			Completed for financial monitoring, performance monitoring remaining
12C	DHHS	Grant (Acquisition, Management, Monitoring) - ARRA	H	√*			Completed (almost) by Finance; will be issued in March 2012
14B	OHR	Benefit Audits- Payments/Expenses (Health, Disability, Pension)	H			√	
16B	Liquor	IT Post Implementation Review (Point of Sale/Inventory)	H	√			
19C	Police	Overtime (e.g., court appearances /timekeeping)	H	√			
24A	DTS	IT Post Implementation Review (ERP)	H		√		Planned for late FY 12
30C	CIP	Project (Estimation of Cost)	H	√ (C)			Completed: See Note C
9C	Finance	Accounts Payable (Purchase Card Program)	M	√*			Completed (almost); will be issued by February 2012
24E	DTS	IT Post Implementation Review (MC Time)	M			√	
YEAR TWO							
9A	Finance	Follow up - Treasury Risk Assessment	H			√	
10C	MCFRS	Disability (Eligibility)	H		√ (B)		Combined: See Note B
11A	DGS	Contract (Monitoring/Management)	H		√ (A)		Combined: See Note A
11B	DGS	Procurement (Sole Source/Non Competitive)	H			√	
12B	DHHS	Grant (Acquisition, Management, Monitoring)	H	√			Completed for financial monitoring, performance monitoring remaining
16C	Liquor Control	Revenue (Sales/Cash Handling)	H			√	
19B	Police	Disability (Eligibility)	H		√ (B)		Combined: See Note B
24B	DTS	IT Business Continuity (Disaster Recovery)	H			√	
24C	CIP	IT CIP Projects (Procurements e.g. ERP, MCTime)	H			√	
30B	DOT	Contract (Monitoring/Management)	H		√ (C)		Limited coverage -Note C
25E	Transportation	Inventory Department Warehouse (Management / IT Systems)	M			√	
YEAR THREE							
10A	MCFRS	Capital Improvement (Monitoring/Management)	H			√	
14A	OHR	Benefit Audits - Eligibility / Accrual (Health, Disability, Workers Comp, Pension)	H		√ (B)		Ongoing for disability, combined -Note B
16A	Liquor Control	Inventory (Management)	H			√	
19A	Police	Contract (Monitoring/Management)	H		√ (A)		Combined: See Note A
24D	DTS	IT Standards (Review/Department Compliance)	H			√	
25A	DOT	Capital Improvement (Monitoring/Management)	H	√			
25B	DOT	Contract (Monitoring/Management)	H		√ (A)		Combined: See Note A
30A	CIP	Contract (Change Order Management)	H	√ (C)			Limited coverage -Note C
9B	Finance	Accounts Payable (Payment Authorization)	M			√	
13D	DHCA	Revenue Fees and Licenses (Collections and Handling)	M			√	
TOTALS					9	9	13
# of high risk units addressed					8	9	9

Note A: These audits have been combined into one ongoing audit of non-HHS contracts and grants being performed at various departments.
Note B: These audits on disability have been combined into one ongoing audit.
Note C: We performed one CIP audit which concentrated on invoice review but covered these other subjects on a limited basis.
Not Started: These audits will be considered for initiation in FY's 2013 and 2014.

Attachment #2

Transmittal of Internal Audit Report on Police Overtime (MCIA-11-1) - Message (HTML)

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You forwarded this message on 5/13/2011 6:04 PM. Click here to find all related messages.
This message was sent with High importance.

From: Kassiri, Fariba
To: Manger, Tom
Cc: Firestone, Timothy; Dyckman, Larry; Agee, Jennifer
Subject: Transmittal of Internal Audit Report on Police Overtime (MCIA-11-1)
Attachments: Police Overtime Report Final February 17, 2011 .pdf (1 MB)
Sent: Thu 2/17/2011 12:03 PM

Chief Manger,

Attached is the final audit report on Police Overtime (MCIA-11-1). I am sending you an electronic copy; bound copies will follow. The review was conducted by our contract auditors, Cherry, Bekaert and Holland, L.L.P under the guidance of Larry Dyckman, Manager, Office of Internal Audit. I would like to thank you and your staff for the excellent cooperation our auditors received during the review.

Within 90 days, please provide the CAO, with copy to me, a report on the following items:

1. Your action plan for each of the report's recommendations. The plan should describe how the department has addressed or intends to address each recommendation along with a timeline for implementation.
2. Your analysis of whether any of the findings and recommendations in this report are applicable to any other programs or activities in your department. In your response please advise us as to the status of this self assessment and, if not completed, when you expect to complete it.

Please advise me or Larry Dyckman if you have any questions or need additional information.

Thank you.

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**Montgomery County, Maryland
Office of Internal Audit
(MCIA)**



**While Monitoring of Police Overtime Has Improved,
Better Controls Are Needed**

February 17, 2011

Prepared by Cherry, Bekaert & Holland, L.L.P.

MCIA-11-1

Highlights

Why We Did This Audit

The Montgomery County Police Department (MCPD) is consistently one of the top overtime users within Montgomery County and overtime expense is a significant operating expense.

Inherently, MCPD is subject to considerable overtime hours due to the department's need to operate 24 hours a day, 7 days a week. Overtime makes up about 4% or almost \$10 million of MCPD's total operating budget of \$246.3 million. While the County and MCPD have instituted recent actions to better monitor overtime use, the average overtime expense per employee has remained consistent over the last five years. In a recent Countywide risk assessment, MCIA had designated overtime as a high-risk area.

In performing this audit, we reviewed and analyzed policies and procedures, FOP union agreements and prior audit reports, interviewed MCPD and County officials, and selected a sample of time sheets and overtime transactions paid to officers to determine whether overtime claimed was properly authorized and supported.

What We Recommend

MCIA makes five recommendations to improve internal controls at MCPD, including establishing an electronic or manual sign-in system at the courts and the updating of the written policies and procedures related to overtime.

January 2011

Fiscal Year 2010 Police Overtime

While Monitoring of Police Overtime Has Improved, Better Controls Are Needed

What We Found

Montgomery County Police Department has made progress in the fiscal monitoring of employee overtime costs. For example, its overtime costs have not exceeded its allocated overtime budget for the last 3 years. However, our audit found that the current internal controls MCPD uses for overtime provide insufficient assurance that it could prevent or detect waste, fraud, or abuse. While we did not find any actual cases of waste, fraud or abuse during our audit, we found non-compliance with existing policies and procedures and poor controls, which can cause serious accountability issues. Most problems involved the court overtime area, which at 38% of all MCPD overtime, is by far the largest overtime component.

Specifically, MCPD has no method of tracking officer attendance at court hearings and many time sheet files are lacking sufficient supporting documentation for overtime hours. While Montgomery County does not track court attendance, we noted that other state or local governments have instituted manual or electronic systems to do so, which should provide a higher level of assurance and accountability. Some systems allow officers to electronically sign in and sign out as they appear for duty, while others have the attorney who subpoenas the officer certify the officer's attendance in court.

In addition, we found problems in the authorization and approval of overtime worked. For example, out of 209 overtime occurrences tested from fiscal year 2010 time sheets, we found 13 (6%) instances where authorization (MCP 44 form) forms were not submitted to management or were lost. In addition, of the remaining 196 MCP 44 forms submitted, the employee, supervisor, or unit commander did not sign 67 (34%). These exceptions from MCPD policies may indicate deficiencies in supervisor monitoring.

We also found that there is a need for MCPD to continue its coordination efforts with the Maryland District Court Assignment Division concerning scheduling of officers' court appearances. Currently the Division does not consider police officer scheduling before placing officers on court dockets. This has led to officers being booked on two separate dockets at the same time contributing to the use of court overtime. Moreover, at jurisdictions in other states we contacted, officers are able to set their schedule for specified misdemeanor violations to avoid scheduling conflicts.

10)

Audit Report: Police Overtime
Audit Respondent: J. Tom Manger, Chief of Police
Final Report Issued to Respondent: 2/17/2011
Action Plan Due from Respondent: 5/18/2011
Date of this update: 1/24/12

Attachment #3

Response to Audit Recommendations

Audit Report Recommendations	Date Action Plan Submitted to CAO	Projected Implementation Date	Date Implemented (if Applicable)	Comments/Obstacles/Steps Involved (attach supporting documents if applicable)
1 Establish an electronic or manual sign-in system at the courts to validate attendance and establish better accountability over court overtime worked.	4/29/2011	July 2012 We are currently in mediation with the FOP on this point		Police Department is currently in negotiations with the FOP on this issue. Full contract bargaining will begin in November and an agreement may be reached at that time. Otherwise this will become an issue during arbitration and a final decision will be reached in January 2012. However, there is a possibility the arbitrator will not accept this as part of the final agreement.
2 Reiterate the requirement for MCPD personnel to comply with current and any future internal controls over the submission, review, and authorization of overtime charges.	4/29/2011		7/1/2011	Final authorization of overtime is a responsibility of executive officers and non-sworn managers, represented employees are not permitted final approval of overtime. This issue has been addressed at supervisor training (annual) and executive in-service (quarterly).
3 Update and maintain written policies and procedures regarding overtime in accordance with current overtime requirements and any future approved controls.			1/1/2011	All employees have received written procedures for overtime requests, this was distributed electronically when we switched over to TeleStaff from paper timesheets and it is available on our Intranet. All approvers and "super" approvers received procedures on entry of overtime requests and approval for those requests.
4 Continue to work with the District Court to develop procedures to avoid or minimize double bookings of police officers at the two District Court venues and among the various dockets.	4/29/2011	July 2012 by the Court. MCPD will follow up until implemented by the court.	MCPD has made internal changes and is waiting on the court for external changes.	On May 16, 2011 I met with my staff, Judge Eugene Wolfe's staff (Administrative Judge for the District Court of Maryland, Montgomery County District), and State's Attorney John McCarthy to discuss court-date assignments, traffic and criminal schedules, as well as reducing court appearances. Judge Wolfe will book officers with multiple cases on the same date to reduce overtime and SA McCarthy has agreed to schedule the cases at different times to ensure attendance by the officer. This will eliminate two overtime court dates.
5 Require employees to enter directly in the Telestaff system material changes to their work schedules, including all overtime.			1/1/2011	All changes to work schedules must be entered into TeleStaff and approved by a manager. No overtime will be paid without approval (completed). We have a signed MOU between the FOP requiring management approval of all overtime and supervisors updating officer schedules.

Please Note: Information reported in the chart above must be included in the Addendum section of the Respondent's Performance Plan (Addendum 6 - Internal Controls and Risk Management, section a).

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Attachment #4

Status of Recommendations in Issued Audit Reports

As of Jan. 26, 2012

Report No. & Short Title	Date Issued	Dept. (Primary)	No. of Recommendations Issued	No. of Recommendations Implemented	No. of Recommendations In Progress to be Implemented
10-1 DPS Construction Fees	9/22/2009	DPS	5	5	0
10-3 Wage Requirements: JRP	4/20/2010	DGS/DOT	8	8	0
10-4 TAP	6/3/2010	HR	16	13	3
11-1 Police Overtime	2/17/2011	Police	5	4	1
11-2 HHS Contract Monitoring	5/6/2011	HHS	15	2	13
11-3 Liquor Control POS	6/30/2011	DLC	15	7	8
12-2 CIP Invoices	9/13/2011	MCDOT/DGS	7	3	4
12-3 DOT Cash	11/3/2011	DOT/Finance	9	TBD	TBD
12-4 CO MATRIX	11/28/2011	OHR	4	TBD	TBD
Totals			84	42	29

Montgomery County Police Department FY2011

Performance Plan

Contribution to Montgomery Results

Safe Streets and Secure Neighborhoods

An Effective and Efficient Transportation Network

A Responsive, Accountable County Government

What MCPD Does and for Whom	How Much
To safeguard life and property, preserve the peace, prevent and detect crime, enforce the law, and protect the rights of citizens. The Department is committed to working in partnership with the community to identify and resolve issues that impact public safety	Total: \$ 232,401,770 Total: WY's 1734.9
Major Function #1: Respond to emergency calls for service. Investigate crimes related to emergency calls. Enforce traffic laws and maintain the safe flow of traffic on all roads within Montgomery County	\$ 185,921,410 WY's 1387.92
Major Function #2: Create and expand on community partnerships to identify and resolve issues related to public safety within those communities	\$ 46,480,760 WY's 346.98

ADDENDUM: RESPONSIVE AND SUSTAINABLE LEADERSHIP

Responsive and Sustainable Leadership has been the cornerstone of the County Executive's vision for Montgomery County government. To advance this vision, we have identified the following overarching goals for all County departments:

1) Collaborations and Partnerships:

- Department actively participates in collaborations and partnerships with other departments to improve results beyond the scope of its own performance measures.
- Office of the State's Attorney
- MCP works hand in hand with the State's Attorney dealing with everything from gang issues to the successful prosecution of criminal cases.
- Health and Human Services
- MCP works closely with HHS at the Juvenile Assessment Center identifying juvenile offenders in need of their preventive programs.
- Street Outreach Network
- Crisis Intervention Team and Project Lifesaver
- MCPS
- EFO Program
- Sports Academy with the Recreation Department
- Department of Liquor Control
- The Alcohol Initiative Sections works closely to ensure compliance.
- State Partnerships
- C-SAFE
- GOCCP
- SHA
- Federal Law Enforcement
- JTTF
- Multiple task forces
- ATF
- DEA
- FBI
- Community Outreach
- Asian Liaison committee
- African American Liaison committee
- Latino Liaison committee
- District Commanders advisory boards with community members
- Various Chambers of Commerce
- Citizen's Police Academy and Citizen Surveillance Teams

2) Workforce Diversity and MFD Procurement:

- Recruit extensively at colleges and universities up and down the east coast with particular attention to universities with diverse student populations.
- Recruit extensively on the Internet and in minority print media.
- Advertise on local radio stations appealing to wide audiences (DC101, SportsTalk).
- Print and distribute extensive print material such as flyers, brochures and banners.
- Have a diverse recruiting staff consisting of five permanent and varying numbers of temporary police officers.
- Provide materials and funds for any officer to return to their alma mater to recruit new officers.
- Provide monetary/leave rewards to current staff who recruit new officers (first when the new recruit completes the academy and upon achieving permanent status).
- Provide a lateral entry program that provides higher salaries to officers with previous police experience.
- Meet with reporters of local minority newspapers who then write/publish articles regarding Police recruitment issues.
- Advertise in magazines circulated to colleges with diverse student populations, including HBCUs.
- Attend culturally diverse community fairs, events and activities.
- Provide trinkets with recruitment contact information.
- Provide information on the County's benefits package in person, through printed materials and use of a prize wheel.
- Provide personal contact and open communication with candidates to answer questions and provide status reports.
- Utilize programs for interns and Explorers to expose them to the work of police officers and build interest in a career in law enforcement.
- Provide an early hire program to provide compensation for those who complete all requirements and need income prior to the start of an academy class.
- Test monthly and test on-site when traveling out of the area.
- Provide background booklets in advance to be brought filled out to the written exam and give the written exam and oral interview on the same day all to reduce the length of the process.
- Provide a competitive salary.
- Utilize officers and staff members as liaisons to various cultural communities in the County.
- Recruit in local malls and at the County's annual Diversity Day Celebration.
- Recruiting for public safety applicants is highly competitive in the Baltimore/Washington area. Numerous police agencies compete for the same candidates, especially with the creation of additional public safety agencies such as Homeland Security.
- The inability to hire back retired employees.
- The economic structure in the Metropolitan area makes it difficult for applicants to find affordable housing.

- Applicants today are more technologically oriented and less physically active spending more time in front of a computer and less in physical activity. They have trouble qualifying medically (treadmill test) or in physical training at the academy.
- Montgomery County requires 60 college credits. While this is not necessarily a negative requirement most other public safety agencies do not require college. One agency that recently started requiring college credits permits applicants to substitute prior military or law enforcement experience for the college requirement.
- Some cultures are distrustful of police based on previous experience in their native countries. As a result, they do not view law enforcement as a noble career in this country.
- The diversity of sworn management is dependent on the internal structure of the department. All applicants for promotion come from within the department.
- MCP has consistently been in compliance with all MFD processes and procedures established by the Office of Procurement, which we believe has resulted in a trend of increased MFD procurements in three of the past four years.

3) Innovations:

- Department actively seeks to be innovative in its efforts to improve performance.
- Research innovative recruitment sites and strategies and implement them; provide more innovative trinkets such as CDs and internet business cards.
- Increase presence in college classrooms to promote interest in being a police officer and specifically with Montgomery County.
- Recruit more extensively at the high school level to educate and dispel negative cultural stereotypes regarding work as a police officer.
- Investigate ways to further liaison with diverse community groups within the County.
- Investigate ways to further provide useful information to candidates to answer questions, make them feel important to the County, reduce misinformation and speed up the application process, e.g., additional mentoring, an automated system to check status, a guide to outline specific medical requirements.
- Re-evaluate internal processes for ways to reduce time and streamline steps.
- Add a cadet program to allow students to attend college and work part time in the police department until they meet requirements to attend the police academy.
- To improve, we will work more actively with the Office of Procurement MFD staff to identify opportunities for the primary contractors to subcontract with MFD vendors, particularly when existing contracts come up for renewal within the parameters of the existing contracts. Some of the larger existing professional service contracts are complex in scope, and may offer opportunities for the primary contractor to subcontract with MFD vendors to fulfill portions of the overall scope of work.

- Initiate outreach efforts with MFD vendors to inform them of upcoming procurement opportunities and to encourage their participation in the procurement process.
- Increase the department's profile through networking and meeting with the business leaders in each of the department's six districts, informing them of the department procurement needs and the desire to support and encourage the participation of MFD vendors.

4) Effective and Productive Use of the Workforce/Resources:

14% increase in overtime hours used per approved position.

- Department actively works to effectively and productively use its workforce/resources, including, but not limited to, better management of overtime, implementation of productivity improvements, reduction of ongoing costs, and efficient use of other resources.
- The department considers the control and management of overtime a high priority.
- All Division Directors and District Commanders are rated on their control and reduction of overtime for all employees.
- Staffing levels are reviewed; however, the purchase of a workload analysis program would greatly benefit the department in adjusting schedules and evaluating staffing levels on a regular basis.
- It is also expected that TeleStaff will help manage department overtime through more control and oversight.

5) Succession Planning:

11% of our positions include specific succession planning. The ranks of captain and assistant chief are included in this number.

- Department actively plans for changes in its workforce, in order to maintain continuity of services, develop staff capabilities, maintain and/or transfer knowledge, and enhance performance.
- The Police Department is organized as a "para-military" organization; there is a rank structure and a chain-of-command. The Chief of Police has three Assistant Chiefs directly under his command. One of these Assistant Chiefs will take command of the department when the Chief is out of town and unavailable. There is a departmental directive outlining the chain of command that outlines specific responsibilities for each level of command.
- Police Captains are transferred to permit knowledge to be distributed and new visions presented. These Captains are District Commanders and Division Directors. Their knowledge and expertise is essential to the success of the organization
- Leadership and mentoring go hand-in-hand and the department has a program in place for both. These programs have helped develop staff capabilities and have identified individuals for future promotion and additional responsibility.
- The federal government created a system known as the Incident Command Structure, the police department follows these guidelines for all events.

6) Internal Controls and Risk Management:

a) Department reviews and implements Internal Audit recommendations in a systematic and timely manner:

- Audit report was released less than 12 months prior to writing of this performance plan.
- 80% audit recommendations have been implemented as of January 1; the remainder are ongoing. A final report will be submitted on the one year anniversary of the audit's release.

b) Department proactively manages risk pertaining to improving workplace safety, decreasing work-related injuries, and reducing County exposure to litigation:

- Department actively assess its internal control strengths, weaknesses, and risks regarding compliance with laws and regulations, recording of financial transactions and stewardship over County assets. As subset of this goal, each department also manages risk pertaining to improving workplace safety, decreasing work-related injuries, and reducing County exposure to litigation.
- The creation of the Employee Health and Wellness Division has improved our coordination and tracking of injured employees and their work performance.
- Every effort is made to comply with state law regarding occupational injury; it is even part of a supervisor's performance evaluation. Public Safety employees are considered a separate class when dealing with worker's compensation; this requires extra diligence on the part of the employer regarding the documentation of employee injuries.
- We have also developed an "Early Warning System" for employees displaying higher than average risk performance when completing their job responsibilities. These employees are effectively tracked by the Internal Affairs Division and the Employee health & Wellness Division.
- If higher than average risk performance is displayed the employee can be counseled and a work plan established, if the employee reports a higher number of injuries during a calendar year they are identified by our contracted risk management company and scrutiny is applied.
- Cash control procedures are established for all police department locations that deal with cash. The six separate police district stations all deal with cash for the purchase of reports or fingerprinting services. The cash registers all checked throughout the day and at the end of each shift to verify proper cash totals.
- Because driving is a large percentage of the workday for a police office, several measures are in place to help keep collisions to a minimum.
- There has been a long-standing Collision Review Committee responsible for reviewing all officer involved collisions and determining if additional training is needed.
- Officers are required to attend a four hour block of training whenever they are assigned a new vehicle; this is in addition to the forty hour block of training they received as new officers.

7) Environmental Stewardship:

- Department actively makes appropriate changes to workplace operations, workflow, employee behavior, equipment use, and public interactions to increase energy-efficiency, reduce its environmental footprint, and implement other environmentally responsible practices.
- The police department currently leads all county agencies with an eighty-eight percent recycling rate. This is a remarkable accomplishment when you realize how much information must be retained for court testimony
- Our Crime Laboratory follows all OSHA and EPA regulations when dealing with chemicals and hazardous materials.
- Our Chemists are constantly looking for environmentally friendly compounds and recycling companies to reuse chemicals rather than just dispose of them.
- Bicycle patrols have been expanded to all six police districts, foot patrols are encouraged in all CDB patrol areas
- Patrol cars are now more energy efficient

8) Mandatory Employee Training

76% all of police employees are required to maintain training/certification for their positions and 98% of those employees are in compliance.

Accomplishments:

- Serious Crime Rates have decreased from the previous year
- Auto Thefts are at an all-time low (when compared to the number of vehicles registered in the County)
- Fatal Collisions have decreased, from 43 in 2010 to 32 in 2011
- No reduction in police services were experienced
- The reduction in sworn positions has not had an impact on closure rates, arrest rates, or citations issued
- It is unknown if this level of enforcement can be maintained
- The redistribution of our Educational Facilities Officers has resulted in a reduction of officer presence in the schools but our contacts remain strong and incidents are handled quickly.