

HHS COMMITTEE #2
July 12, 2012

Briefing

MEMORANDUM

July 10, 2012

TO: Health and Human Services Committee

FROM: Jean C. Arthur, ^{JCA} Legislative Analyst

SUBJECT: **Briefing:** Inspector General's Report - *Office of Human Rights'*
Management of Purchase Cards and Space Renovation

The following people are expected to attend this briefing:

- Edward Blansitt, Inspector General
- John Hummel, Deputy Inspector General
- Mollie Habermeier, Assistant Inspector General
- Fariba Kassiri, Assistant Chief Administrative Officer
- Kathleen Boucher, Assistant Chief Administrative Officer
- Joe Beach, Director, Department of Finance
- Sanjay Jhangiani, Purchasing Card Administrator, Department of Finance
- James Stowe, Director, Office of Human Rights

The Office of the Inspector General will brief the Health and Human Services Committee on its review of the Office of Human Rights' use of purchasing cards and the management of a space renovation project.

Background

The Office of the Inspector General issued this report on May 29, 2012. OIG conducted this review because it had received complaints about possible misuse of purchasing cards and also possible waste of taxpayer funds in the renovation of OHR's office space.

The OIG's objectives were to determine:

1. If OHR's use of P-Cards was in compliance with County policies and procedures;
2. If OHR's space renovation project adhered to the County's policies and procedures;
3. If the costs associated with OHR's space renovation were in compliance with contractual language; and
4. If P-Cards were used for the space renovation.

Summary of Findings

- OIG questioned almost 45% of the transactions made with OHR's Purchasing Cards (P-Cards), either because the transactions were not in compliance with the County's policies and procedures governing P-Card use with respect to documentation requirements, or because they were questionable with respect to the purposes of the purchases.
- OHR did not comply with County P-Card transaction review policy.
- OHR's space renovation project in 2009 adhered to the County's procedures governing the expansion or renovation of office space. The renovation costs were consistent with contractual terms associated with the project. However, the amount of space occupied following the renovation may exceed OHR's current requirements.
- No evidence was found to indicate that P-Cards were used to pay for the renovation.

Summary of Recommendations

In regard to the use of purchasing cards, OIG recommends that:

- OHR ensure that all merchandise ordered has been received and no duplicate payments have been made;
- OHR review all purchases to determine their value and require the responsible parties to make restitution to the County for purchases that did not further the business of the County;
- OHR comply with County P-Card policies with respect to all future purchases;
- OHR ensure that transaction reviewers make sure that documentation is attached and purpose is reviewed before approving the transaction; and
- transaction reviewers are better trained. This training should highlight responsibilities of transaction reviewers.

As to the space renovation, OIG recommends that OHR examine its available space and determine whether it is appropriate for its current needs.

The Chief Administrative Officer indicated agreement with the OIG recommendations. See ©15-17. See ©16 for the CAO's comments on space issues.

Budget Implications

The report recommends that OHR provide training to certain staff who would ensure that the P-Cards are used only to further the business of the County and that the use comply with County policies. That training would involve some costs.

In addition, OHR would realize savings if the cards are used only to further the business of the County.

Further, a review of OHR's space needs could result in changes in the amount of space allocated to the office, given that since FY12, the staff complement has been cut significantly.

Response

Executive staff, including the Director of the Office of Human Rights, will attend the briefing to address the findings and recommendations of the report. The complete report is attached at ©1-18. OIG will give a slide presentation at the briefing. A paper copy is attached at ©19-24.

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FINAL REPORT

Office of the Inspector General

Office of Human Rights' Management
of Purchasing Cards and Space Renovation

May 29, 2012



**Montgomery County, Maryland
Office of the Inspector General**

REPORT IN BRIEF

Office of Human Rights' Management of Purchasing Cards and Space Renovation

May 29, 2012

BACKGROUND

The Montgomery County Office of Human Rights (OHR) investigates complaints of discrimination, provides staff support to County commissions, and conducts educational and other programs to promote equal rights and opportunities.

WHY WE DID THIS REVIEW

The Office of the Inspector General (OIG) received allegations regarding misuse of OHR's Purchasing Cards (P-Cards). The OIG also received reports expressing concerns about the potential waste of taxpayer dollars for renovation of space for OHR's use.

Our objectives were to determine:

1. If OHR's use of P-Cards was in compliance with County policies and procedures,
2. If OHR's space renovation project adhered to the County's policies and procedures,
3. If the costs associated with OHR's space renovation were in compliance with contractual language, and
4. If P-Cards were used for the space renovation.

WHAT WE FOUND

We questioned almost 45% of the transactions made with OHR's Purchasing Cards (P-Cards), either because the transactions were not in compliance with the County's policies and procedures governing P-Card use with respect to documentation requirements, or because they were questionable with respect to the purposes of the purchases.

We found that OHR also did not comply with County P-Card transaction review policy.

We found that OHR's space renovation project in 2009 adhered to the County's procedures governing the expansion or renovation of office space. The renovation costs were consistent with contractual terms associated with the project. However, the amount of space occupied following the renovation may exceed OHR's current requirements.

We did not find any indication or evidence that P-Cards were used to pay for the renovation.

WHAT WE RECOMMEND

We recommend that OHR ensure that all merchandise ordered has been received and no duplicate payments have been made, that OHR review all purchases to determine their value and require the responsible parties to make restitution to the County for purchases that did not further the business of the County, and that OHR comply with County P-Card policies with respect to all future purchases.

We recommend that OHR ensure that transaction reviewers make sure that documentation is attached and purpose is reviewed before approving the transaction, and that transaction reviewers are trained in transaction reviews. This training should highlight responsibilities of transaction reviewers.

We recommend that OHR examine its available space and determine whether it is appropriate for OHR's current needs.

Inspection Report

Office of Human Rights' Management of Purchasing Cards and Space Renovation

May 29, 2012

Background

The Montgomery County Office of Human Rights (OHR) investigates complaints of discrimination, provides staff support to the Commission on Human Rights and the Committee on Hate/Violence, and conducts educational and other programs to promote equal rights and opportunities.¹ OHR's approved FY 2009 budget was \$2,501,500, with 21 full time and no part time positions.² OHR's FY 2012 budget is \$891,580, with 9 full time and no part time positions.³

The Office of the Inspector General (OIG) received allegations regarding misuse of OHR's purchasing cards ("P-Cards"). In addition, the OIG received separate reports expressing concerns about the potential waste of taxpayer dollars for space renovation for the benefit of OHR.

The objectives, scope, and methodology are presented in Appendix A.

OHR Purchasing Cards

The P-Card program is intended to provide an efficient method of paying for small-dollar items, by reducing paperwork and the costs associated with processing payments to individual vendors. The program enables cardholders to obtain supplies directly from vendors without meeting the voucher or purchase order requirements of other procurement processes. P-Cards are to be used for purchases with a total value of \$5,000 or less that are not under County contract. The Montgomery County Maryland Purchasing Card Program Policy and Procedure Manual, revised August 2004 ("P-Card Manual") governs the use of P-Cards.⁴

¹ These and other duties of OHR are in Montgomery County Code Chapter 27.

² FY09 Approved Operating Budget and FY09-14 Public Services Program, Montgomery County Office of Management and Budget, July 2008, p. 4-113.

³ FY12 Approved Operating Budget and FY12-17 Public Services Program, Montgomery County Office of Management and Budget, July 2011, p. 3-116.

⁴ The P-Card Manual was in the process of being revised after the time period of the transactions reviewed in this report. The proposed revisions do not affect any of the quotations, findings, or conclusions in this report.

The County Department of Finance is responsible for the countywide administration of the P-Card program and designates a Purchasing Card Administrator in the Department of Finance, who functions as the County liaison and Contract Administrator with the card provider. The Department of Finance issues the overall policy guidance, pays the card provider for all purchases (net of credits) made by participating departments, and posts related operating department charges and credits for returned items or posting errors to the County's automated accounting system. During the time period of the transactions reviewed in this report, the card provider was American Express. The provider since January 2011 has been JP Morgan Chase Bank Master Card.

The County's Office of Internal Audit (OIA) issued a report entitled "The County Government's Purchase Card Program" on February 17, 2012. The OIA report reviewed County policies and procedures and made recommendations to improve internal controls for adequate support, proper approval, and effective oversight of transactions. Our findings and recommendations have a different focus, as we examined P-Card use in only one department, after receiving allegations of misuse, while the OIA report addressed the countywide P-Card program and did not include OHR among its departments sampled.⁵ Our findings are not in conflict with the OIA report.

Finding 1

We questioned almost 45% of the transactions made with OHR's P-Cards, either because the transactions were not in compliance with the County's policies and procedures governing P-Card use with respect to documentation requirements, or because they were questionable with respect to the purposes of the purchases.

We reviewed all of OHR's 508 P-Card transactions made from September 2008 through September 27, 2010. We identified 114 transactions (\$18,989) that lacked required supporting documentation, such as itemized receipts, and 129 transactions (\$13,141) that we questioned as to purpose, since they may not have been for legitimate business purposes. Of these, 22 transactions (\$2,820) were both not in compliance with documentation requirements and were for questionable purposes. Overall, we questioned 221 transactions⁶, totaling \$29,310 in

⁵ The OIA report included data from only the following departments: General Services, Police, Health and Human Services, Fire and Rescue Service, Recreation, Public Libraries, and Technology Services.

⁶ 221 is the sum of 92 transactions with no itemized receipts that we did not question as to purpose, 107 transactions with itemized receipts that we questioned as to purpose, and 22 transactions with no itemized receipts that we questioned as to purpose, which can be seen in Chart 1.

expenditures, for at least one reason. These represent almost 45% of the transactions made and 40% of the dollar value purchased.

Chart 1 shows these transactions and dollar values, according to whether the transactions were adequately supported by documentation and whether we questioned the purposes of the purchases.

Chart 1

OHR P-CARD TRANSACTIONS AND DOLLAR VALUES
Sept. 2008 – Sept. 2010

| | Itemized Receipt | No Itemized Receipt | Total |
|---------------------------------|-------------------|---------------------|-------------------|
| Not Questioned as to Purpose | 287 (\$43,177) | 92 (\$16,169) | 379 (\$59,346) |
| Questioned as to Purpose | 107 (\$10,321) | 22 (\$2,820) | 129 (\$13,141) |
| Total | 394 (\$53,498) | 114 (\$18,989) | 508 (\$72,487) |

Where itemized receipts were available, we made determinations whether to question purposes based on the individual items purchased. Where itemized receipts were not available, we made determinations whether to question purposes based on the names of vendors whom the Department of Finance’s P-Card records indicate were paid. There may have been questionable purchases that we did not identify, in cases where vendor names seemed appropriate, but itemized receipts were lacking.

No Itemized Receipt

County policy requires itemized receipts or other documentation indicating individual items purchased using a P-Card.⁷ The P-Card Manual lists “Failure to provide supporting documentation” as an egregious violation.⁸ Acceptable supporting documentation includes at least one of the following: the itemized Purchasing Card Charge/Credit slip, an itemized sales

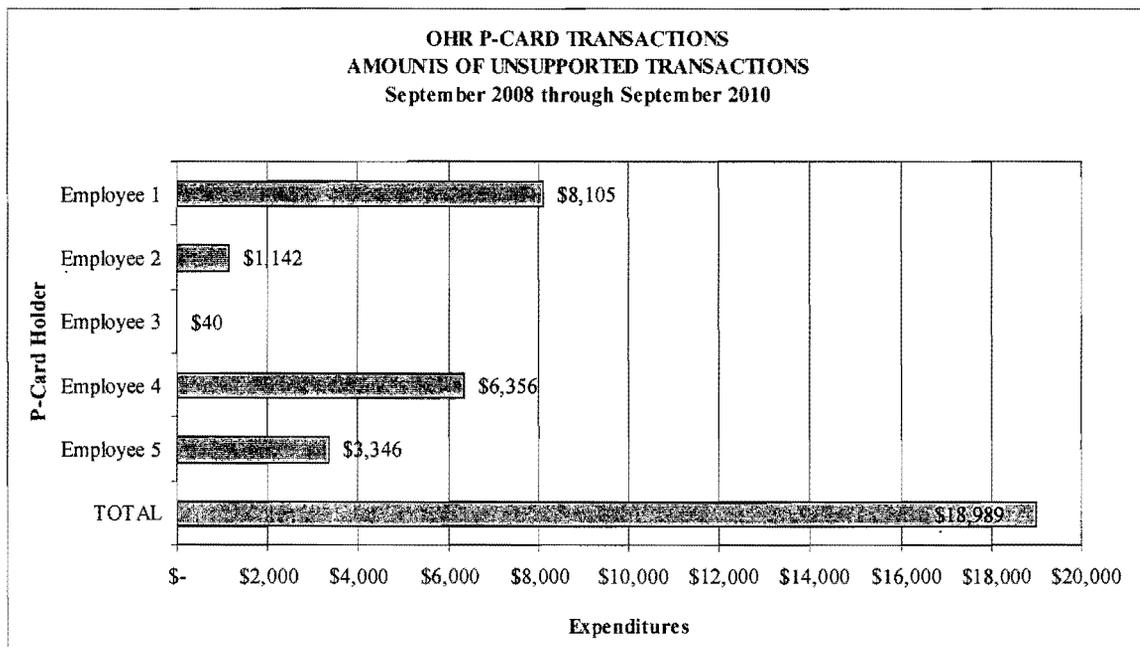
⁷ “Each transaction on the Purchasing Card must be supported by an itemized receipt or other acceptable means of documentation that verifies the date of purchase, the vendor or merchant name, each item purchased and the price of each item.” Section I.G.3.d of the P-Card Manual.

⁸ The complete list of egregious violations is found at section I.G.1 of the P-Card Manual.

slip, an itemized packing slip, an itemized cash register receipt, an itemized repair order, an order form, or other acceptable documentation appropriate for the circumstance.⁹

We determined that OHR had 114 transactions that were not supported by acceptable documentation, out of 508 transactions reviewed. These unsupported transactions totaled \$18,989. These represented 22% of the total transactions and 26% of the \$72,487 expended in those transactions. Graph 1 shows that all P-Card users in OHR made purchases for which documentation was lacking.

Graph 1



Source: Department of Finance

Requiring and reviewing supporting documentation are important methods for combating fraud, waste, and abuse. Without supporting documentation itemizing purchases, it can be very difficult or even impossible to determine whether purchases were appropriate, amounts billed were erroneous or duplicative, or merchandise ordered was received. In the absence of documentation, OHR cannot be certain that it was not charged for items not received or that no duplicate payments were made.

⁹ Section III.C.5 of the P-Card Manual. For ease of reference, this report sometimes refers to this group of documents as “itemized receipts.”

Questionable as to Purpose

Purchases for the personal benefit of individual employees are not to be made using P-Cards. The P-Card Manual provides that P-Cards may be used for “legitimate Montgomery County business related purposes only.”¹⁰

We identified \$13,141 in purchases that raised questions, based on vendor names or itemized receipts, about whether they were legitimate business expenses. These purchases represented 25% of the total transactions and 18% of the total dollar value of the transactions in the time period reviewed. Purchases in the following areas are questionable: (1) food, ice, greeting cards, kitchen supplies, table cloths, lanyards, and sweatshirts; (2) gift cards; and (3) flowers, some of which were identified as sympathy flowers. Chart 2 shows the number and dollar value of the transactions in these categories.

Chart 2

OHR P-CARD TRANSACTIONS QUESTIONED AS TO PURPOSE
Sept. 2008 – Sept. 2010

| Category | Transactions | Amount |
|--|--------------|----------|
| Food, ice, greeting cards, kitchen supplies, table cloths, lanyards, sweatshirts | 112 | \$12,041 |
| Gift Cards | 7 | \$330 |
| Flowers | 10 | \$770 |
| Total | 129 | \$13,141 |

The Director of OHR (“Director”) was asked in a January 13, 2012 interview about the purposes of the purchases in Chart 2. Regarding food, ice, greeting cards, kitchen supplies, table cloths, lanyards, and sweatshirts, he said that most of the food purchases were for dinners at evening Human Rights Commission and Committee on Hate/Violence meetings, to encourage attendance. He said that the sweatshirts were for youth camp participants and for Commission members. He said that other purchases in this category were camp supplies. OHR purchased 11 gift cards in the 7 transactions shown above. The Director emailed that OHR did not keep a log of the use or distribution of the gift cards. He indicated that 2 gift cards were for volunteers, 1

¹⁰ Section II.H.1 of the P-Card Manual.

was a retirement token, 1 was a token of appreciation for Administrative Professionals' Day, and he had no information on the other 7 cards. The Director informed us that one flower purchase was made when a family member of his passed away, and that this purchase was made by an OHR staff member without his knowledge.¹¹ The Director indicated that other flower purchases were for events such as the Human Rights Day awards program, or for someone from OHR who was in the hospital.

We continue to question certain OHR P-Card purchases, even with the Director's explanations. The following typify the abuses that can occur with P-Cards:

- For seven gift cards purchased, OHR does not have a record of who received them or why.
- Gift cards were given to volunteers, although this is inconsistent with the expectation that volunteers are uncompensated.
- Gifts from County employees to other County employees were paid for with County funds, not personal funds.
- Flowers were purchased for personal reasons.
- Food was purchased at retail prices.

There is no evidence that the food benefitted only the commission members and not the OHR staff who attended the meetings. We found no County policy or procedure regarding whether or not it is appropriate to purchase food for these meetings using County resources. It may have been gracious to provide food, but it was not required. The County has approximately 75 boards, committees, and commissions (B/C/Cs), on which over 1,200 residents serve.¹² A rough estimate of the cost to provide food for all B/C/C meetings is \$120,000 per year¹³. We note that the County's current annual budget for B/C/Cs is only \$22,950,¹⁴ which is far from enough to provide food at all B/C/C meetings. If the County deems it appropriate to provide food for B/C/C meetings, this cost could be transparently and consistently planned for in the County budget, instead of having small departments bear the costs out of their budgets, and the County

¹¹ The staff member who bought these flowers told us that the instruction to buy these flowers did not come from the Director.

¹² Memorandum to the Council's Government Operations and Fiscal Policy Committee from Jean Arthur, April 24, 2012; FY12 Approved Operating Budget, p. 3-334.

¹³ This assumes 1,200 members attending one meeting per month, for 10 months each year, and that the cost of food for each member is \$10.

¹⁴ FY12 Approved Operating Budget, p. 3-334.

might be able to provide food less expensively by contracting with a local vendor for discounted prices.

We could not determine whether the sweatshirts and other camp-related purchases were legitimate business expenses. There was insufficient explanation of how they were used or why they were purchased using a P-Card, while other camp expenses were not. The Director stated that using a P-Card was more convenient and sometimes cheaper, but we did not have enough information to confirm this.

The Director stated that after receiving a memorandum from the Chief Administrative Officer (CAO), the Director curtailed the types of purchases discussed above. The memorandum, dated April 26, 2010, was from the CAO to all Executive Branch Departments and Office Directors. We researched OHR's purchases made after April 26, 2010 for items such as food, ice, greeting cards, kitchen supplies, table cloths, lanyards, sweatshirts, gift cards and flowers. We determined that one food purchase was made after April 26, 2010. OHR's transaction records show no flower purchases and no gift card purchases after April 26, 2010.

Because of a severe budget situation, the CAO memorandum suspended discretionary purchases and restricted Direct Purchases. It stated that only essential purchases would be considered for approval. Purchases not considered essential included food, beverages, and related services. The memorandum stated that to help ensure that only essential direct purchases would be made, restrictions were placed on the use of P-Cards: the number of P-Card users was restricted, certain merchant/industry codes were disabled so that P-Card purchases from vendors with these codes were blocked, and cardholder limits were made subject to essential purchasing justifications.

The Department of Finance list¹⁵ of blocked merchant/industry codes contains the following categories that include types of purchases we questioned:

- miscellaneous food stores – specialty, markets, convenience
- sports apparel
- drinking places (alcoholic beverages), bars, taverns
- gift, card, novelty and souvenir shops
- artist's supply and craft shops
- florists
- telecommunications service, including local and long distance calls¹⁶

¹⁵ "Exclude MCC Codes for all Card Holders" on the Department of Finance's intranet page, last accessed April 4, 2012.

¹⁶ OHR staff purchased Virgin Mobile gift cards.

It became apparent that after April 26, 2010, OHR's ability to use the P-Card for these purchases was restricted, so we determined it was not necessary to expand the time period under review. Although the CAO terminated the direct purchase freeze in a memorandum dated December 21, 2011, the blockage of the merchant/industry codes remains in place.¹⁷

Many of these questioned purchases appear to have been personal purchases, for personal use and benefit. The P-Card Manual lists personal purchases as egregious violations. The P-Card Manual states that it is a cardholder violation to make any personal purchases or transactions with a P-Card.¹⁸ In addition, the P-Card Manual specifically provides that the County reserves the right to collect from the employee the cost of any purchases that do not further the business of the County.¹⁹

Recommendation 1

We recommend that:

- **OHR ensure that all merchandise ordered has been received and no duplicate payments have been made.**
- **OHR review all purchases to determine their value and require the responsible parties to make restitution to the County for purchases that did not further the business of the County.**
- **OHR comply with County P-Card policies with respect to all future purchases.**

Finding 2

OHR did not comply with County P-Card transaction review policy.

Transaction Review Practices

County policy, as stated in the P-Card Manual, separates the action of making a purchase from the action of approving a purchase. Each cardholder must have a transaction reviewer who is

¹⁷ Email from the Purchasing Card Administrator on April 25, 2012. There are some small exceptions where appropriate for individual departments.

¹⁸ Section I.G.3 of the P-Card Manual.

¹⁹ Section I.G of the P-Card Manual.

responsible for reviewing transactions to make sure they represent legitimate business expenses, are classified appropriately, and have the proper supporting documentation.²⁰

On March 16, 2012, we interviewed an OHR staff member who was a cardholder and also a transaction reviewer for other cardholders, including for a higher level person in OHR.²¹ The staff member told us that he/she made purchases as directed by supervisors. The staff member also told us that his/her role as a transaction reviewer was only to assign the correct accounting code for each transaction, and that a supervisor would ultimately approve the transactions.

In addition, we learned that the Director let another person in OHR use his P-Card. The person the Director shared his card with was a transaction reviewer and thus might have reviewed his/her own purchases.

The current transaction review system permits the cardholder to attach receipts in electronic form to the cardholder's statement. Our understanding is that a transaction can still be approved without a receipt, although under the current system, the lack of receipts should be obvious to the transaction reviewer.

Training

The staff and the Director of OHR appear to have received the training required by the P-Card Manual. The P-Card Manual requires initial training of cardholders but requires refresher training of transaction reviewers and cardholders only when they are notified by the Purchasing Card Administrator.²² The Purchasing Card Administrator advised us that refresher training is given as and when needed. It appears that training is mostly on technical issues and that it does not provide specific guidance on appropriateness of purchases. A staff member told us that the cardholder training he/she received from an employee in the Department of Finance was approximately 10 minutes long, and that he/she received no specific training as a transaction reviewer.

²⁰ Sections I.C.8 and I.D.5 of the P-Card Manual.

²¹ The P-Card Manual states in Section I.C.8 that "The Transaction Reviewer may be the immediate supervisor of the Cardholder or someone in a higher or lower level position, if Cardholder is Department Head..., and must be different from...the Cardholder." Having a transaction reviewer at a lower level position might allow the Department Head to make unreasonable purchases and not be questioned.

²² Sections II.H.3.c.4), II.H.1.b, and I.G.3.f of the P-Card Manual.

Recommendation 2

We recommend that:

- OHR ensure that transaction reviewers make sure that documentation is attached and purpose is reviewed before approving the transaction.
- OHR ensure that transaction reviewers are trained in transaction reviews. This training should highlight responsibilities of transaction reviewers.

OHR Space Renovation

Finding 3

The OHR space renovation project in 2009 adhered to the County's procedures governing the expansion or renovation of office space. The renovation costs were consistent with contractual terms associated with the project. However, the amount of space occupied following the renovation may exceed OHR's current requirements.

We received separate reports from several anonymous sources expressing concerns about the potential waste of taxpayer dollars for space renovation by OHR. These sources indicated that the space renovation was not necessary, as OHR had ample space to professionally conduct their work. In addition, there was a concern that P-Cards may have been used to pay for the renovation.

We conclude that the renovation adhered to the County's renovation procedures, as OHR obtained appropriate approval to do the renovation, the requirements of the Montgomery County Manual for Planning, Design, and Construction of Sustainable Buildings were met, and proper amounts were paid. For detail on the steps taken in OHR's renovation, see Appendix C.

We did not specifically look at OHR's space requirements. Instead, we relied on the approval by the Chief Administrative Officer and his staff. We did not find any indication that the need for space was questioned in the approval process.

While the amount of space occupied and renovated may have been appropriate for the 21 staff members in OHR when the work was performed, the number of staff members has declined to 9 or fewer. In view of the fact that the budget was cut by 64% and the staff by 57% in the years since the renovation, the amount of space occupied following the renovation may exceed OHR's current requirements.

Recommendation 3

OHR should examine its available space and determine whether it is appropriate for OHR's current needs.

We did not find any indication or evidence that P-Cards were used to pay for the renovation. However, since itemized receipts were lacking from 22% of OHR's P-Card transactions made in the time period during which the renovation occurred and which was covered by this report, we cannot be certain that P-Cards were not used for some renovation expenses.

There is no recommendation related to this issue.

Summary of Chief Administrative Officer's Response and OIG Response

The Chief Administrative Officer's (CAO) response to the final draft report is included in its entirety in Appendix B.

In response to our report, the CAO conveyed the outcome of his office's internal review of OHR's P-Card transactions for the period of September 2008 to December 2010. That review resulted in the following findings and/or actions:

- All services or merchandise purchased has been fully received, and the accuracy of the payments for those services and purchases was verified.
- All transactions were reviewed and evaluated to determine their validity and compliance with County policies, procedures, laws, and regulations. The cost of questionable transactions that the CAO determined to be "non-compliant" was fully reimbursed to the County.

The CAO's response indicated agreement with all of our recommendations relating to OHR's management of P-Cards.

The CAO stated that the OHR office space is currently fully occupied, because Community Engagement Cluster employees have recently been relocated to OHR's available space.

The CAO's response did not cause us to alter our findings or recommendations.

Appendix A: Objectives, Scope, and Methodology

Our objectives were to:

1. Determine if the expenditures associated with OHR's P-Cards were in compliance with the County's P-Card policies and procedures,
2. Determine if OHR's space renovation project adhered to the County's policies and procedures governing the expansion and renovation of existing space,
3. Determine if the costs associated with OHR's space renovation were in compliance with contractual language, and
4. Determine if purchasing cards were used for the space renovation.

We reviewed applicable County laws and regulations, as well as policies and procedures established by the Department of Finance. We interviewed and also submitted written questions to personnel from OHR and the Department of Finance who made, reviewed, or processed the transactions tested. We reviewed relevant reports from the U.S. General Accountability Office, the Montgomery County Office of Internal Audit, and the State of Maryland Office of Legislative Audits. We also obtained information and documentation from OHR related to its P-Card transactions.

We reviewed the Montgomery County Manual for Planning, Design, and Construction of Sustainable Buildings ("design manual"), which outlines the policies and procedures for designing, constructing, and renovating Montgomery County's public buildings.²³

We reviewed documentation supporting each phase of the space renovation project per the requirements as outlined in the design manual. We interviewed personnel from various departments, including OHR and DGS, who assisted in the proposed space renovation, site plan, space renovation budget, contractor negotiations, and processing of contractor invoices.

Our review was conducted in accordance with the inspection standards contained in the *Quality Standards for Inspection and Evaluation*, issued by the Council of the Inspectors General on Integrity and Efficiency (January 2011).

²³ We confirmed through a Montgomery County Senior Project Manager assigned to the Building, Design and Construction Division, who is familiar with this renovation, that the requirements in the design manual are the requirements for County renovation projects.

Appendix B: Chief Administrative Officer's Response



OFFICES OF THE COUNTY EXECUTIVE

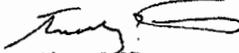
Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

MEMORANDUM

May 24, 2012

TO: Edward Blansitt, Inspector General

FROM: Timothy L. Firestine, Chief Administrative Officer 

SUBJECT: Final Draft Report, *Office of Human Rights' Management of Purchasing Cards and Space Renovation*

I am in receipt of your memo and final draft report dated May 1, 2012 detailing the audit conducted by your office concerning the Office of Human Rights' (OHR) management of Purchasing Cards and space renovation. Your assessment of this issue has been very thorough and fair.

Before providing specific responses to your recommendations, I would like to provide an update of our own internal review of the Office of Human Rights' Purchasing Card (P-Card) transactions for the period of September 2008 to December 2010. This internal review resulted in the following findings and/or actions:

- All services or merchandise purchased has been fully received and the accuracy of the payments for those services and purchases were verified.
- All transactions were reviewed and evaluated to determine their validity and compliance with County policies, procedures, laws and regulations. The cost of questionable transactions that were determined to be "non-compliant," was fully reimbursed to the County.

IG Finding 1: We questioned 45% of the transactions made with OHR's P-Cards, either because the transactions were not in compliance with the County's policies and procedures governing P-Card use with respect to documentation requirements, or because they were questionable with respect to the purposes of the purchases.

IG Recommendation 1-a: OHR ensure that all merchandise ordered has been received and no duplicate payments have been made.

CAO Response: We agree with this recommendation and will ensure that it is fully addressed.

IG Recommendation 1-b: OHR review all purchases to determine their value and require the responsible parties to make restitution to the County for purchases that did not further the business of the County.

CAO Response: We agree with this recommendation and will ensure that it is fully addressed.

Appendix B: Chief Administrative Officer's Response

Edward Blansitt, Inspector General
May 24, 2012
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IG Recommendation 1-c: OHR comply with County P-Card policies with respect to all future purchases.

CAO Response: We agree with this recommendation and will ensure that it is fully addressed.

IG Finding 2: OHR did not comply with County P-Card transaction review policy.

IG Recommendation 2-a: OHR ensure that transaction reviewers make sure that documentation is attached and purpose is reviewed before approving the transaction.

CAO Response: We agree with this recommendation and will ensure that it is fully addressed.

IG Recommendation 2-b: OHR ensure that transaction reviewers are trained in transaction reviews. This training should highlight responsibilities of transaction reviewers.

CAO Response: We agree with this recommendation and will ensure that it is fully addressed.

IG Finding 3: The OHR space renovation project in 2009 adhered to the County's procedures governing the expansion or renovation of office space. The renovation costs were consistent with contractual terms associated with the project. However, the amount of space occupied following the renovation may exceed OHR's current requirements.

IG Recommendation 3: OHR should examine its available space and determine whether it is appropriate for OHR's current needs.

CAO Response: Due to some recent reorganization efforts and the need to consolidate selected services, functions and resources, a number of our newly created Community Engagement Cluster employees (Commission for Women, Office of Community Partnerships, and CEC Business Management Team) were relocated to OHR's available space in the Rockville Library. Therefore, the referenced OHR office space is currently fully occupied with no available vacant offices, cubicles, or meeting rooms. These different units share the existing conference/training rooms in coordination with various needs and activities of the following Boards, Committees, and Commissions:

- Human Rights Commission and its subcommittees
- Committee on Hate Violence and its subcommittees
- Interagency Fair Housing Work Group and its subgroups
- Commission for Women and its subcommittees
- Committee for Ethnic Affairs and its subcommittees
- Dr. Martin Luther King, Jr. Commemorative Committee and its subcommittees

Appendix B: Chief Administrative Officer's Response

Edward Blansitt, Inspector General
May 24, 2012
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If you have any questions, please feel free to contact me or Assistant Chief Administrative Officer Fariba Kassiri, who can be reached at (240) 777-2512 or Fariba.Kassiri@montgomerycountymd.gov.

TLF:fk

cc: Joseph Beach, Director, Department of Finance
Kathleen Boucher, Assistant Chief Administrative Officer
Sanjay Jhangiani, Purchasing Card Administrator
Fariba Kassiri, Assistant Chief Administrative Officer
James Stowe, Director, Office of Human Rights

Appendix C: Steps Taken in OHR's Space Renovation

In October 2008, OHR obtained authorization from an Assistant Chief Administrative Officer to renovate room number 391 of the Rockville public library for use as additional office space for OHR business purposes. The space had previously been used by the Department of General Services (DGS). In April 2009, OHR received a proposal from Centennial Contractors Enterprises, Inc. (Centennial) for the renovation.

The purchase order for construction services for the space renovation issued to Centennial was in the amount of \$57,663. The space renovation was completed in December 2009.

The space renovation project was broken down into the following phases: 1. Conceptual Planning, 2. Schematic Design, 3. Design Development, 4. Construction Documents, 5. Bidding and Negotiations, 6. Construction, and 7. Post Construction.

During the Conceptual Planning Phase, program requirements are validated and site and building mass determined. The Schematic Design Phase ensures that the site is fully analyzed, building systems are selected, and floor layouts are generated. In this phase, there is also some determination of building and finish materials. In the Design Development Phase, all systems are developed, details are designed and communicated, interior design is finished, furniture layout is prepared, the furniture plan is completed, and materials and finishes are selected. The Construction Documents Phase develops a complete set of construction documents for the purpose of permitting as well as bidding. In the Bidding and Negotiations Phase, the project is bid, and the team evaluates the bids and engages in cost control activities, including cost reduction with the contractor if needed. In the Construction Phase, the contractor performs construction administration, quality control of construction, and commissioning. In the Post Construction Phase, the contractor assists the County in warranty period checks.

Office of Human Rights' Management of Purchasing Cards
and Space Renovation

Presentation of Final Report to the Montgomery County Council
Health & Human Services Committee

July 12, 2012

MONTGOMERY COUNTY MARYLAND

OFFICE OF THE INSPECTOR GENERAL





Office of Human Rights' Management of Purchasing Cards and Space Renovation

Why We Did This Review

- We received allegations regarding misuse of Purchasing Cards by the Office of Human Rights.
- We received reports expressing concerns about the potential waste of taxpayer dollars on renovating additional space for OHR's use.



Office of Human Rights' Management of Purchasing Cards and Space Renovation

Transactions Findings and Recommendations

- We questioned almost 45% of 508 transactions made with OHR's P-Cards, because
 - Itemized receipts were lacking (92 transactions), or
 - Purposes were questionable (107 transactions), or
 - Both (22 transactions)
- Questioned purposes: food, ice, greeting cards, kitchen supplies, table cloths, lanyards, sweatshirts, gift cards, flowers
- We recommended
 - Ensure all merchandise ordered was received and no duplicate payments were made
 - Restitution for purchases that did not further the business of the County



Office of Human Rights' Management of Purchasing Cards and Space Renovation

Transaction Review Findings and Recommendations

- OHR did not comply with transaction review policy
 - OHR transaction reviewers did not question transactions without supporting documentation or transactions that may not have been for business purposes
- We recommended that transaction reviewers make sure
 - Documentation is attached, and
 - Purpose is reviewed
- We recommended that transaction reviewers be trained in transaction reviews



Office of Human Rights' Management of Purchasing Cards and Space Renovation

Space Renovation Findings and Recommendations

- The space renovation adhered to County procedures, and costs were consistent with contractual terms.
- We recommended that OHR examine its available space and determine whether it is appropriate for current needs.

Office of Human Rights' Management of Purchasing Cards
and Space Renovation

Questions or Comments?



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