



# Office of the Inspector General

## Who We Are

In 1997, the County Council for Montgomery County passed legislation to create the Inspector General's Office to serve as a watchdog to detect and prevent fraud, waste, and abuse in County government operations.

The specific goals, authority, and duties of the Office are found in Montgomery County Code, §2-151.

## What We Do

Although appointed by the County Council, the Inspector General is solely responsible for choosing topics for review after carefully considering available resources and the mission of the Office.

The mission is stated in three goals set forth in the enabling legislation.

## Our Mission

- Prevent and detect fraud, waste, and abuse in government activities
- Propose ways to increase the legal, fiscal, and ethical accountability of County government departments and County-funded agencies
- Review efficiency and effectiveness of programs and operation of County government and independent County-funded agencies

In carrying out the mission, the Inspector General team produces a number of confidential and public documents. Public documents include the Inspector General Work Plan, results of audits and investigations, and periodic status reports to the County Council. Many of these documents are available for Web viewing in HTML format, or for viewing and printing in PDF format.

## Our Pledge

We pledge to be responsive - to complainants, to management, and to the legislature. If we are provided contact information, we acknowledge receipt of every complaint and we later provide our conclusion(s). When desired, we provide updates.

We believe taxpayers and leaders have a right to be kept advised of such matters.

## Our Advisory Group

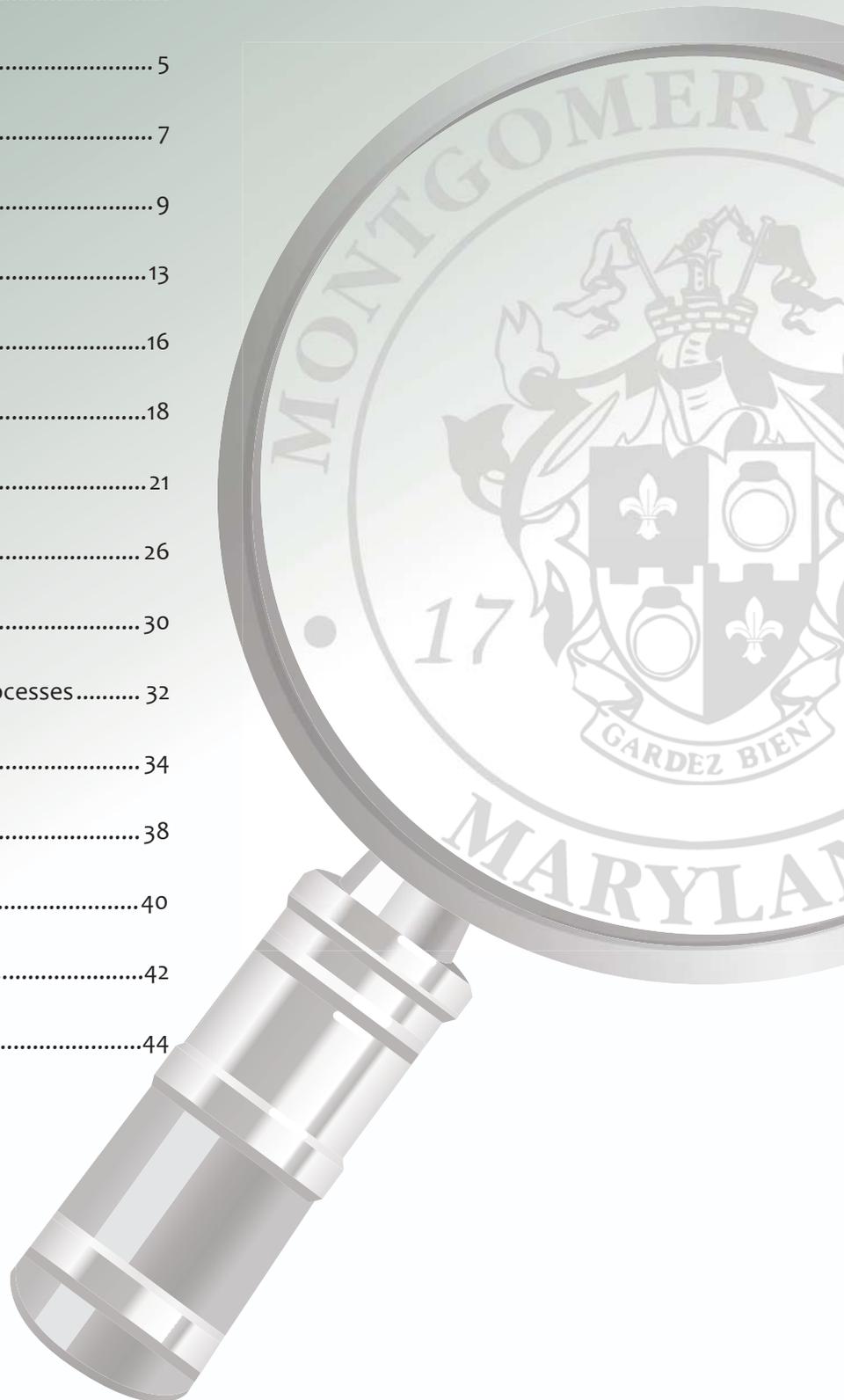
The Inspector General has established an Advisory Group to assist the OIG in developing annual plans for executing and reporting on audits and investigations; determining position and skill needs of the office; and assessing its budgetary needs.

The members of the OIG Advisory Group operate under a charter that sets the qualifications for membership and anticipated activities of the members.

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Inspector General  
Montgomery County, Maryland

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# I. OVERVIEW

## A. BACKGROUND

### 1. Statutory Mandates, Guidelines, and Directives

The Office of the Inspector General (OIG), created under authorities contained in Montgomery County Code Section 2-151, serves as the primary agency to detect and prevent fraud, waste, and abuse in Montgomery County Government operations and in the use of County funds by independent County agencies.

The Inspector General is appointed by the Montgomery County Council. He/she provides the County Council, the County Executive, principal agency officers, and county citizens with results of independent investigations; budgetary analyses; and financial, management, or performance audits and similar reviews of County Government and County funded programs and operations. These audits and reviews are designed to promote integrity, economy, efficiency, and effectiveness in the administration of programs and operations. As part of such scheduled audits and evaluations, the OIG reviews internal controls to determine whether they are documented, adequate, effective, and operating as intended.

County Code Section 151.3.h.2 provides that the Inspector General may seek assistance from any other government agency or private party, or undertake any project jointly with any other governmental agency or private body.

### 2. OIG Mission and Strategic Objectives

The Montgomery County Council, in passing legislation to create the OIG, sought to create a watchdog to detect and prevent fraud, waste, and abuse in County government operations.

As stated in the Code, the goals of the OIG are to:

- a. Review the effectiveness and efficiency of programs and operations of County government and independent County agencies;
- b. Prevent and detect fraud, waste, and abuse in government activities; and
- c. Propose ways to increase the legal, fiscal, and ethical accountability of County government departments and County-funded agencies.

County-funded agencies include Montgomery County Public Schools, Housing Opportunities Commission, Maryland-National Capital Park and Planning Commission, Montgomery College, and Washington Suburban Sanitary Commission.

The OIG's strategic objectives are to: establish effective working relationships with and earn the trust of stakeholders; serve as catalysts for positive change throughout the County; address allegations or complaints raised by County leaders, employees and/or residents regarding a wide variety of issues and/or concerns; and refer credible allegations of employee misconduct to management for inquiry and appropriate action.

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## 3. **OIG Structure and Organization**

The OIG is headed by the Inspector General. Reporting directly to the Inspector General is the Deputy Inspector General and reporting to the Deputy Inspector General are the Assistant Inspectors General. The Inspector General may retain project staff or other consultants by contract and may temporarily detail an employee of any other government department or agency to the OIG.

County Code Section 2-151 states that the County Attorney must provide legal services to the Inspector General and may employ legal counsel for the Inspector General under Section 213 of the Charter. County Code Section 2-151 also details circumstances under which the Inspector General may retain and be represented by special legal counsel who is not subject to the County Attorney.

## 4. **Audit, Investigation, and Inspection Standards**

County Code Section 2-151.3.h.2 states: In each project of the Office, the Inspector General should uphold the objective of complying with applicable generally accepted government auditing standards.

The OIG is committed to meeting the requirements of Generally Accepted Government Auditing Standards (GAGAS) as promulgated by the Government Accountability Office's (GAO) Government Auditing Standards. Audits are performed in accordance with the most current GAGAS revision and other applicable requirements.

The OIG conducts investigations in accordance with the most current version of Quality Standards for Investigations (hereafter, the QSIs) issued by the Council of Inspectors General on Integrity and Efficiency.

The OIG conducts inspections in accordance with the most current version of Quality Standards for Inspection and Evaluation issued by the Council of Inspectors General on Integrity and Efficiency.

GAGAS provides a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence. GAGAS contains requirements and guidance dealing with ethics, independence, auditors' professional competence and judgment, quality control, the performance of field work, and reporting.

Standards issued by the Council of Inspectors General on Integrity and Efficiency are generally consistent with GAGAS but have been developed to provide frameworks and guidance for producing high quality inspections evaluations and investigations.

All OIG reports that are not classified as either Investigations or Inspections are assumed to be audits conducted in accordance with GAGAS.

## **B. ORGANIZATION OF THIS MANUAL**

Two types of guidance are presented in this manual. Sections A and B address matters relevant to the Office of the Inspector General as a whole. Sections C through J provide specific guidance on the audit process. Sections K and L provide specific guidance on the investigations process. Section M covers report referencing, applicable to all reports. Sections N and O also apply to all types of OIG tasks: N addresses peer reviews and O speaks to the OIG's report resolution and follow-up processes.

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## C. OBJECTIVES, SCOPE, AND METHODOLOGY

Reports are prepared in sufficient detail to describe for County managers the scope and cause of problems identified and to support the audit recommendations. Work is planned to determine the causes of inefficient and uneconomical practices on a system-wide basis within the County and to identify ways to promote greater economies and efficiencies in the management of County resources. Objectives also focus on County compliance with applicable laws and regulations; the economy, efficiency, and effectiveness of operations; the adequacy of internal controls; and the achievement of desired program results.

When necessary, the OIG will obtain the services of consultants, contractors, investigators, specialists or subject matter experts to augment the OIG staff or provide expert advice regarding technical issues associated with audits and investigations.

All reports fall under the general supervision and guidance of the Inspector General. Monitoring adherence to quality assurance standards is assigned to the Deputy Inspector General, as designated by the Inspector General. The OIG's quality assurance policy and procedures are addressed in Chapter O of this manual.

## D. AUDITS

Audits performed under GAGAS provide information used for oversight, accountability, and improvements of government programs and operations. GAGAS contains requirements and guidance to assist auditors in objectively acquiring and evaluating sufficient, appropriate evidence and reporting the results. When auditors perform their work in this manner and comply with GAGAS in reporting the results, their work can lead to improved government management, better decision making and oversight, effective and efficient operations, and accountability for resources and results.

Audits are designed for a number of purposes, including:

- Taking a crosscutting look at the management and administration of County operations and programs.
- Determining the systemic causes of problems.
- Evaluating the adequacy of internal controls.
- Identifying ways to enhance County operations and promote greater economies and efficiencies.
- Promoting both savings and increased effectiveness.

The ultimate measure of success of an audit report is the degree to which it facilitates effective and constructive change. County implementation of report recommendations is essential. Audits should be positive efforts to provide County managers with ways to promote greater efficiency and effectiveness in operations. The audit team must maintain independence and objectivity and should avoid "surprises" to County management as the analytical work is performed.

## E. INVESTIGATIONS

Investigations generally involve alleged violations of criminal or civil laws or administrative requirements.

The focus of an investigation may include the integrity of programs, operations, and personnel; procurement, contract, and grant fraud; whistleblower retaliation; and other matters involving

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alleged violations of laws, rules, regulations, and policies. Administrative misconduct issues are typically referred to agency management for investigation unless they involve abuse of authority by high level agency or elected officials. Investigations follow standards consistent with those expressed in GAGAS but may by necessity employ planning methodologies and produce different reports from those produced by audits. In some cases, investigations that do not substantiate alleged violations may, nonetheless, result in audit findings, and may be reported using GAGAS.

In accomplishing its mission, the OIG may use a variety of approaches, including investigative and forensic audit techniques, to gather and assess evidence related to an alleged wrongdoing; potential violations of laws, rules and regulations, policies, and procedures; or other abuses that impact negatively on the ability of the County to effectively and efficiently carry out its mission. Normally, investigations focus on obtaining sufficient factual evidence for use in determining whether criminal, civil, or administrative actions should be initiated against the specific parties for their actions or lack of actions. In the course of these investigations, the OIG may identify high-risk areas and determine where internal controls should be strengthened. These findings would be presented to the Chief Administrative Officer of Montgomery County for corrective action.

The QSIs provide both General and Qualitative standards. In Section O, this manual recites each general standard and then provides the OIG's procedures to ensure compliance therewith.

## **F. INSPECTIONS**

Inspections and evaluations are systematic and independent assessments of the design, implementation, and/or results of operations. Uses of inspections include development of factual and analytical or budgetary information, measuring performance, determining compliance with laws, rules, or procedures, identification of cost avoidance, evaluations of "best practices", and assessments of allegations. Such work products lack at least some of the characteristics of audits or investigations and for those reasons cannot meet either the GAGAS or Investigation standards. If a work product is classified as an inspection, the rationale for not performing the work under GAGAS, if not readily apparent, must be explained in the work papers

## II. INDEPENDENCE

While conducting OIG investigations, OIG staff involved in performing or supervising any investigative assignment must be free from personal or external impairments to independence and should constantly maintain an independent attitude and appearance.

Montgomery County Code Section 2-151 establishes the OIG as an independent organization, headed by an Inspector General who is appointed by and under the general oversight of the County Council. Independence must be maintained so that opinions, conclusions, judgments, and recommendations will be impartial and will be perceived as impartial by others. The OIG and its personnel must be free from personal or external impairments to independence, be organizationally independent, and maintain an independent attitude and appearance.

### A. PERSONAL IMPAIRMENTS

Personal impairments to independence are the responsibility of each member of the OIG professional staff. Staff members must be familiar with, and comply with, the independence requirements of each of the publications cited in the Background of this section. OIG staff will be asked to confirm their independence at the beginning of every assignment. In any instances that a staff member is not certain that they are independent, their questions or concerns should immediately be raised to the Deputy Inspector General or the Inspector General.

To confirm that no personal impairments existed with respect to any work performed in a given year, each member of the OIG will sign an affidavit annually. The affidavit will state that the signer had no lack of independence with respect to any tasks performed as an employee of the County's OIG during the year then ended.

### B. ORGANIZATIONAL IMPAIRMENTS

Of the three sets of professional standards mentioned in the previous section, GAGAS is the most explicit as to independence and particularly organizational impairments of independence. GAGAS states:

- 3.27 The ability of audit organizations in government entities to perform work and report the results objectively can be affected by placement within government and the structure of the government entity being audited. The independence standard applies to auditors in government entities whether they report to third parties externally (external auditors), to senior management within the audited entity (internal auditors), or to both.
- 3.28 Audit organizations that are structurally located within government entities are often subject to constitutional or statutory safeguards that mitigate the effects of structural threats to independence. For external audit organizations, such safeguards may include government structures under which a government audit organization is:
  - ... Placed within a different branch of government from that of the audited entity; for example, legislative auditors auditing an executive branch program.
- 3.29 Safeguards other than those described above may mitigate threats resulting from governmental structures. For external auditors or auditors who report both externally and internally, structural threats may be mitigated if the head of an audit organization meets any of the following criteria in accordance with constitutional or statutory requirements:

# INDEPENDENCE

... elected or appointed by a legislative body, subject to removal by a legislative body, and reports the results of audits to and is accountable to a legislative body...<sup>1</sup>

At Montgomery County, the County Council appoints the OIG for a term of four years. County Council may remove the Inspector General by resolution adopted by the affirmative vote of six Council members for neglect of duty, malfeasance, conviction of a felony, or other good cause<sup>2</sup>.

The Inspector General is to direct the activities of the OIG subject to a 4-year work plan. When the OIG completes a work plan item, the Inspector General must submit a written report on that item to the County Council, the Executive and the chief operating officer of each affected department or agency<sup>3</sup>.

It is concluded that Montgomery County has structured its Inspector General position so that the OIG is independent from the executive branch and all County-funded organizations. There are further safeguards, as drawn from the County Code and presented above in paragraph 3.29 (b), that ensure the OIG's independence with respect to the legislative branch. The OIG at Montgomery County is thus fully organizationally independent.

## C. OUTSIDE EMPLOYMENT

Professional staff members interested in outside employment must prepare a written request to the Montgomery County Ethics Commission on the form entitled, General Employee Outside Employment Request Form. This form must be approved and signed by the Inspector General.

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<sup>1</sup> Government Auditing Standards, 2011 Revision, United States Government Accountability Office, December 2011, pp 36 and 37

<sup>2</sup> Code of Montgomery County Sec. 2-151 (e)

<sup>3</sup> Code of Montgomery County Sec. 2-151 (k) (2)

# III. AUDIT SELECTION

## A. PURPOSE

This chapter describes the process for selecting areas of County operations suitable for audit in a manner that ensures efficient and effective use of audit resources

## B. BACKGROUND

To ensure that OIG audit resources are used in an optimal manner, audit coverage of Montgomery County programs and operations is planned via a systematic process. The OIG informally considers the nature, scope, trends, special problems, vulnerabilities, and inherent risks of County programs and operations. Audits are proposed, prioritized, and ultimately selected based on this assessment.

The planning process interfaces with the OIG's strategic objectives and work plan which is required by the Montgomery Code Section 2-151(i). The OIG's strategic objectives are to:

- Establish effective working relationships with and earn the trust of our stakeholders.
- Serve as catalysts for positive change throughout the County.
- Address allegations or complaints raised by County leaders, employees and/or residents regarding a wide variety of issues and/or concerns.
- Refer credible allegations of employee misconduct to management for inquiry and appropriate action with response to the OIG for appropriate follow-up.

The Montgomery County Code Section 2-151(i) requires that:

*The Inspector General must direct the activities of the Office of the Inspector General, subject to a work plan for the Inspector General's 4-year term which the Inspector General must adopt within 6 months after being appointed. The Inspector General may amend the plan during a term. The Inspector General must consider recommendations and may seek suggestions for the work plan from the Executive, the County Council, the head of each independent County agency, employees of County government and independent County agencies, employee organizations, and individual citizens. The Inspector General must release the work plan to the public but may treat any item or suggestion for an item as confidential when advance public or agency knowledge of that item or suggestion would frustrate or substantially impede the work of the Office.*

## C. AUDIT SELECTION

The OIG audit selections are designed to yield assignments that will encourage efficiency, economy, and effectiveness of County government and independent County agencies; prevent and detect fraud, waste, and abuse in government activities; and propose ways to increase the legal, fiscal, and ethical accountability of County government departments and County-funded agencies.

In determining what areas to audit, the OIG considers many factors. Primary among these is the 4-year OIG Work Plan. While the expected audit areas are only broadly described in this document,

# AUDIT SELECTION

the actual audits undertaken should be consistent with those descriptions. The priority for conducting audits is based on:

- Mandatory legislative requirements. The OIG has none of these at the time of writing this manual.
- Requests from the Executive, the County Council, the head of each independent County agency, employees of County government and independent County agencies, employee organizations, and individual citizens. The OIG receives many requests via the OIG Hotline. Responding to those requests with either investigations or audits is an important taxpayer expectation.
- Issues that pose a threat to public health and safety.
- A program's susceptibility to fraud, manipulation, or other irregularities.
- Newness, changed conditions, or sensitivity of program activities.
- Dollar magnitude or resources involved in the proposed audit area.
- Prior audit coverage and experience, including the adequacy of internal controls.
- Availability of audit resources.

# IV. AUDIT MANAGEMENT

## A. PURPOSE

This chapter provides a uniform and orderly approach to conducting audit<sup>4</sup> assignments.

## B. BACKGROUND

Effective audit supervision is a GAGAS requirement and is essential to the overall quality of an audit. Supervisors:

- Provide supervision throughout the course of the audit.
- Provide staff with a broad perspective of the audit.
- Help focus and sharpen established audit objectives.
- Provide guidance regarding audit scope and selecting effective audit methodologies and reporting objectives.
- Determine the resources that should be dedicated to an audit in relationship to other priorities and requirements.

## C. RESPONSIBILITIES AND PROCEDURES

### 1. Responsibilities

*Inspector General.* The Inspector General provides overall supervision and professional leadership for all audit work within the OIG and is responsible for overseeing all audit assignments and for ensuring that staff receives appropriate guidance in performing audits.

*Deputy Inspector General.* The Deputy Inspector General is responsible for tracking the progress of audit assignments and monitoring audit quality standards; informing the Inspector General and/or Assistant Inspectors General about any observed noncompliance with GAGAS and this audit manual; and providing oversight of the audit resolution process.

*Assistant Inspectors General.* Day-to-day audit activities are provided by Assistant Inspectors General who are responsible for ensuring that audits are conducted in accordance with this audit manual and GAGAS. In this regard, Assistant Inspectors General plan (including survey and audit programs) and manage audits, perform fieldwork, and prepare discussion drafts, final draft reports, and final reports.

### 2. Supervision

To be effective, supervision must be timely and include sufficient interim checks throughout the audit assignment to ensure that work is properly planned, completed on schedule, and performed in accordance with plans. Good supervision provides for frequent communication between staff and management. Communication allows staff and management to deal with changing or unanticipated issues. To ensure that supervision is timely and effective, the Deputy Inspector General and Assistant Inspectors General are responsible for the following facets of audit work:

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<sup>4</sup> The OIG performs audits, which comply with generally accepted government auditing standards (GAGAS), and inspections/evaluations when compliance with GAGAS is not applicable. The management process described in this chapter is used for the management of both audits and inspections/evaluations.

# AUDIT MANAGEMENT

- a. Guidance, Direction, and Instruction. Guidance and/or direction must be provided throughout an audit, including instructions to staff at the beginning of an assignment.
- b. Approvals. Survey/Audit programs must be approved in advance and Assistant Inspectors General must ensure that audit objectives are met and deviations are documented and approved.
- c. Monitoring/Work paper Approval. To ensure that audit work is performed in accordance with prescribed standards and due professional care, supervisors must monitor the status of work progress. Monitoring/supervision must be performed timely and documented in the work papers. This may be done by initialing and dating hard-copy documents. Evidence of work paper approval must be provided on all work papers. Unresolved differences of opinion between an auditor and supervisor should be documented and presented to the next level of management for resolution.

### 3. Audit Assignment Briefings

The Deputy Inspector General and Assistant Inspectors General are responsible for assuring that the audit process is complete. This is accomplished through various monitoring techniques that can include, but are not limited to, status meetings; briefings; and reviews of work papers, report outlines, discussion draft reports, and final reports.

### 4. Audit Process Summary

Following is a summary of the OIG audit process, which is further explained and detailed in subsequent chapters of this manual.

## D. OIG AUDIT PROCESS SUMMARY

The following summary of the OIG audit process is written in bullet-form for easy consideration. As opposed to the “phases” of the audit, this is written from the standpoint of the various meetings that an audit typically entails.

Many of the steps herein are discussed in later chapters of this manual.

1. OIG Planning Meeting – Purpose of meeting is to obtain general concurrence with objectives, scope, methodology, and milestones.
  - a. Present a preliminary survey/audit plan that contains:
    - (1) Audit objective/s
    - (2) Scope and methodology
    - (3) Timeframe/key milestone dates
  - b. During meeting
    - (1) Discuss audit areas
      - (a) Background information known at this time
      - (b) Potential criteria
      - (c) Potential conditions
    - (2) Identify potential concerns
    - (3) Affirm independence of staff assigned
    - (4) Discuss scope and methodology, expected analyses of the program or operation being audited, and proposed management interviews

# AUDIT MANAGEMENT

- c. After this meeting, finalize audit plan for Deputy Inspector General's approval. The plan should contain agreed upon:
  - (1) Objectives
  - (2) Criteria
  - (3) Scope and methodology
  - (4) Staff assigned
  - (5) Specific audit steps to provide sufficient, appropriate evidence to support all of the finding elements, including plans for:
    - (a) Direct observation (photographs, if possible)
    - (b) Document reviews
    - (c) Analyses
    - (d) Interviews/surveys of staff and management.

Around the time of the meeting, arrange an entrance conference and issue an announcement memorandum to the County agency.
2. Entrance Conference with County agency – Purpose of meeting is to officially initiate the audit.
  - a. Hold this meeting after the internal planning meeting
  - b. Start the audit clock with this meeting; but audits can be placed on hold if necessary
  - c. Identify the points of contact for the audit
  - d. Solicit input regarding any areas of concern for the OIG to consider as part of audit scope
  - e. Convey that audit objectives may be further refined and that the main point of contact will be notified of any substantive modification to the objectives
3. End-of-Fieldwork Meeting with the Inspector General and Deputy Inspector General – Purpose is to obtain general concurrence as to adequacy and completeness of audit procedures, nature of tentative major audit findings and recommendations, and timing and agenda for end-of-fieldwork meeting with the County.
  - a) Provide a brief background recitation (if necessary)
  - b) Discuss findings – criteria, condition, cause, effect, and tentative recommendations
  - c) Discuss remaining steps if it is determined during this meeting that additional audit work is needed
  - d) Discuss upcoming milestones, including exit conference
4. Message Meeting with the Inspector General and Deputy Inspector General – Purpose is to agree on the overall message(s) of the audit report. There should be consensus before creating the discussion draft report. This meeting may be combined and held with the end-of-fieldwork meeting.

# AUDIT MANAGEMENT

5. Report Outline Meeting – Purpose of this meeting is to establish focus and flow for the report and to obtain comments from Inspector General and Deputy Inspector General to facilitate preparation of discussion draft report.
  - Provide proposed outline to the Inspector General and/or the Deputy Inspector General.
  - Outline should cover (1) background, (2) objectives, scope, methodology, and (3) findings in enough detail for reader/reviewer to gain clear sense of how report will flow. The outline will demonstrate that there is enough convincing evidence for each element of each
6. OIG Review of Discussion Draft Reports – Purpose is to obtain comments from the Inspector General and/or the Deputy Inspector General.
  - For discussion drafts, the Inspector General and/or the Deputy Inspector General will provide comments and edits on the subject report.
  - The Assistant Inspectors General will incorporate those edits and comments into the report and will discuss specific issues with the Inspector General and/or Deputy Inspector General as appropriate.
7. Referencing (see Section J).
  - All draft reports, including executive summaries, will be referenced by a staff member not connected with the fieldwork or the report.
  - Exit conferences may be held before referencing is complete based on the Inspector General's and/or the Deputy Inspector General's determination.
8. Exit Conference and Reporting – Briefing with County – Purpose is to discuss findings, conclusions, and recommendations.
  - a. Exit Conference. Provide Discussion Draft Report to the County. The objective is to discuss findings, conclusions and recommendations with the County and to solicit comment and feedback.
  - b. Final Draft Report. Issue to management for comment. Contains modifications based on exit conference.
  - c. Final Draft Report with Management Response. Issue to all Council members and Executive, with a date for earliest public release; hard copies subsequently released to the Council Staff Director, Chief Administrative Officer, Senior Legislative Attorney, and Assistant Chief Administrative Officer.
  - d. Final Report. Release version publicly; contains comments received (if any) from Final Draft Report with Management Responses. If changes are made, email or send hard copies to previous recipients.

# V. AUDIT SURVEY PHASE

## A. PURPOSE

This chapter describes the survey phase of an audit and identifies the criteria and steps necessary to complete a survey.

## B. BACKGROUND

The audit process includes three formal phases: survey, audit verification, and reporting.

The survey phase is essential to planning an effective audit and ensuring optimal use of audit resources. The survey is directed toward identifying potential problem areas, determining the need and potential benefits to be derived from a detailed review, and verifying the internal control systems employed in the area to be audited. During the survey phase, auditors obtain sufficient information to outline the scope, develop a plan, and prepare a detailed audit verification phase program (if warranted), including time and resource needs. At the conclusion of the survey phase, the audit team will recommend to the Inspector General a “Go” or “No Go” decision regarding the verification phase.

A survey may not be required on small, single-issue audits or contractor-conducted audits where a “Go” decision has already been made by the Inspector General. In such cases, the auditors should design the audit program to begin with introductory and planning steps, but not a full audit survey.

## C. RESPONSIBILITIES AND PROCEDURES

The Inspector General and/or Deputy Inspector General are responsible for assuring that surveys are conducted in sufficient detail to determine whether to proceed with further review or terminate the audit effort at the conclusion of the survey phase with a closeout memorandum.

### 1. Survey Planning

The justification, tentative scope, and priority of a particular audit usually are drawn from the OIG work plan. The audit team initiates the survey phase by holding an initial meeting (the Planning Meeting) with the Inspector General and/or Deputy Inspector General to discuss any areas of concern, as well as the survey approach, development of the survey program, timing of the work, resources, and appropriate notification letters. A record of the Planning Meeting and any decisions reached should be documented in narrative form in the audit work papers.

- a. Survey Program. Shortly after the Planning Meeting with the Inspector General and/or the Deputy Inspector General, a survey program is submitted to them for approval. This program should provide general objectives and guidance for identifying potential findings and weaknesses that can be fully developed and quantified in the audit verification phase. It should identify potential criteria and the methodology to determine potential conditions, if known, for review in the verification phase. Audit teams should ensure that they have determined whether internal controls, fraud risk, and/or compliance with laws, regulations, or contract provisions are significant to their audit objectives.

The survey phase should include the gathering of sufficient information to familiarize the staff with the important and pertinent aspects of the organization, program, and activity or function to be audited including: staffing levels; identification of major functions, systems, and operations; and obtaining sufficient, competent evidential matter through testing, inquiry, and observation. Survey results are used to plan the scope of any subsequent in-depth audit verification work, develop the audit verification program, and estimate the time and resources needed to complete the work.

# AUDIT SURVEY PHASE

- b. Notification. Based on the survey plan adopted, the OIG normally provides the Chief Administrative Officer with an announcement well before a survey is expected to begin.

The audit team is responsible for preparing an announcement memorandum and ensuring that it is reviewed and approved by the Inspector General. The announcement memorandum should, to the extent practicable, identify the scope and objectives of the survey, probable County organizations to be contacted, advance documentation and information needed, estimated starting date, and name of the Assistant Inspector General doing the work. If known, the date, time and place for the audit entrance conference also should be provided.

## 2. Entrance Conference

The entrance conference was discussed briefly in the previous section. This section offers a few more thoughts.

Prior to or in parallel with notification to the Chief Administrative Officer (CAO) that an audit is beginning, the Assistant Inspector General coordinates the scheduling of an entrance conference through staff in the CAO's office. At the entrance conference, the audit team should explain the objectives and scope of the survey and other information relevant to the review. The team should also seek to obtain the views of County officials on those key issues and problem areas which they believe affect operations and warrant further examination. Suggestions for individual contacts should be solicited. The audit team should also convey to the County that audit objectives could change and that the CAO and the County agency will be notified of any substantive modification to the objectives.

The entrance conference should be documented in the work papers and, at a minimum, reflect the names and titles of those participating in the conference; the date and time of the conference; the main contact(s) identified for the audit; the topics discussed and agreed upon; and any other items discussed related to or to be considered during fieldwork.

The entrance conference denotes the official start of fieldwork for audit tracking purposes.

## 3. Survey Approach

Survey efforts should focus on identifying areas needing improvements, such as cost recoveries or reductions, improved efficiency and program effectiveness, and compliance with laws and regulations. The scope of work and time required for each survey will vary based on the complexity of the subject to be examined. OIG management and the audit team will determine the amount of time to be devoted to the survey phase.

- a. Techniques for Gathering Information. To gather evidence and information expeditiously during the survey, auditors can use interviewing techniques; physical inspection and onsite observations; review of prior audit and other management reports; questionnaires; transaction tests and flow charts; electronic searches on the Web and the Montgomery County Website and links thereto; and assistance from other independent auditors and/or contracted individuals. If auditors use the information from these reports or interviews in an audit report, they should take precautions to ensure the reliability of the information used.

## 4. Survey Results

At the completion of the survey phase, the audit team will brief the Inspector General and/or Deputy Inspector General in an End-of-Survey, or "Go/No Go" meeting to determine the need for and extent of any further work required in the verification phase, as well as to estimate

# AUDIT SURVEY PHASE

resource and time requirements should the audit move forward. This briefing should highlight the major issues, problems, and preliminary findings discovered during the survey phase. The audit team should provide the Inspector General and/or Deputy Inspector General with options for one of the following: terminate the assignment and issue a survey report; terminate the assignment and issue a closeout memorandum; or continue to the verification phase. In most cases, the audit team should have one option in mind as the optimum choice. The Inspector General or Deputy Inspector General must approve the decision.

If the decision is to prepare a survey report, the reporting procedures and standards of the OIG must be followed. If the decision is to issue no report, the audit team will prepare a closeout memorandum. The closeout memorandum will announce the termination of the audit and advise appropriate officials that no further audit work is contemplated. If the decision is to continue into the verification phase, the audit team will prepare a detailed audit program directed at developing and quantifying preliminary findings and other potentially deficient areas. If the survey results require that the detailed audit verification program should address either additional or re-developed audit objectives, or will result in more than one audit report, the audit team will develop separate audit programs to address those factors. The original workpapers developed during the survey may be used for these revised audit program initiatives and new workpapers may be developed under the separate audit programs, as appropriate. All documentation will be retained in the work papers.

If appropriate, the audit team should arrange a meeting with County management involved with the survey phase of the audit to discuss the details of the planned verification phase work. Generally, this meeting should take place if the audit objectives have been revised, the scope of review has been expanded or contracted, or if the schedule has been significantly altered. If a meeting does not take place, the audit team is to notify affected managers that the audit is moving into the verification phase. Significant revisions to audit objectives may also be conveyed via a memorandum from the Inspector General or Deputy Inspector General to the Chief Administrative Officer and other County officials as needed.

# VI. AUDIT FINDINGS

## A. PURPOSE

This chapter describes the attributes and characteristics of audit findings and the need for findings to be fully developed and presented in a clear, concise, and convincing manner.

## B. BACKGROUND

Findings provide the substance of audit reports. To be fully developed, the finding should consist of the finding attributes, conclusions, and recommendations. The attributes lay the foundation for a fully developed finding and are referred to as criteria, condition, cause, and effect. The finding attributes must be based on factual evidence relevant to the problem area under review. The facts developed during the audit should be sufficient to (1) establish both the importance of the findings and the reasonableness of audit conclusions

and recommendations and (2) create a desire for corrective actions on the part of County management. The conclusions and recommendations of the findings should follow logically from the facts presented in the finding attributes. Each finding should be capable of standing on its own merit when presented in an audit report.

## C. RESPONSIBILITIES AND PROCEDURES

It is the responsibility of the audit team to ensure that findings are fully developed. This is best accomplished by assuring that the finding identifies what should occur (criteria); describes what is occurring (condition); explains why the condition does not meet the criteria (cause); and answers the question “So what?” (effect).

### 1. Fully Developed Findings

A fully developed finding must be adequately supported by sufficient factual evidence to support and prove the basis for the finding attributes, conclusions, and recommendations. The evidence must meet the tests of sufficiency, competence, and relevance.

- a. **Sufficiency.** Sufficiency is the presence of enough factual and convincing evidence to lead a prudent reader to arrive at the same conclusions as the auditor. Determining the sufficiency of evidence requires auditor judgment because evidence brought together and ordered during the course of the audit may be conflicting. The auditor must, to the extent practical, resolve conflicting evidence or make an impartial judgment as to what position is supported by the weight of the evidence.
- b. **Competence.** Competent evidence should be reliable and the best attainable through the use of an acceptable audit methodology developed in accordance with this Audit Manual and GAGAS. Audit teams must evaluate the evidence and carefully consider whether there is any reason to doubt the validity or completeness of the evidence. When in doubt, the audit team should take additional steps to authenticate or corroborate the evidence.
- c. **Relevance.** Relevance refers to the relationship of the evidence to its use. Facts and opinions used to prove or disprove an issue must have a logical and sensible relationship to the issue. Auditors should carefully take this into account when evaluating opinions expressed by County staff during audit interviews. Information that lacks this relationship is irrelevant and should not be used as evidence to prove or disprove points made in the finding. Evidence may also be considered irrelevant if it is not current.

# AUDIT FINDINGS

## 2. Developing Findings

Auditors collect and analyze information and evidence during the course of an audit in order to develop findings. During this process, the finding attributes will be subjected to a continuous review to detect flaws in relating criteria to the condition, and the condition to the cause and effect. In refining the attributes, the auditor must consider what corrective actions should be taken by management to address the root cause of the condition and preclude the recurrence of the condition.

## 3. Attributes of Findings

GAGAS recognizes that the elements needed for complete findings depend on the audit objectives. Audit findings contain criteria (what should be), condition (what is), cause (why it happened), and effect (the “so what”). Recommendations are added, as appropriate, in reporting the finding.

- a. Finding Title. A description of the specific deficiency being reported.
- b. Criteria – What Should Be. Auditors can usually develop this attribute by reviewing laws, regulations, directives, County policies and procedures, memoranda, letters, and other written documents. However, in some cases, the auditor must assert criteria based on auditor experience, common sense, and good business practices that promote efficiency, economy, and effectiveness.
- c. Condition – What Is. Auditors normally identify this attribute by fact-finding or discussion with key personnel. In developing this attribute, audit steps should be directed at proving the situation being audited. For example, if someone tells an auditor that something happened, is it proof that a problem (deficiency) exists? Is that “something” a fact? Or, is it only a fact that somebody told the auditor it happened? The auditor must fully prove the existence and extent of the condition.
- d. Cause – Why Condition Does Not Match Criteria. In developing this attribute, the auditor should direct audit steps toward identifying “why it happened”, thus supporting the cause statement. The auditor should be careful that the identified cause is the “root” cause and not just a symptom of a larger problem or another statement of condition. The root cause is usually a management system weakness that, unless corrected, will allow similar deficiencies to occur. In all cases, the auditor should clearly and logically establish the relationship between the stated cause(s) and any recommendations.
- e. Effect – So What? The attention that a finding receives depends largely on its significance. Significance is judged by effect. Efficiency, economy, and effectiveness are useful measures of effect if stated in quantitative terms such as dollars, time, and number of processes or transactions. In developing this attribute, the auditor should direct audit steps at identifying and supporting past and potential future effects.  
  
In determining the effect of any finding, auditors should pay particular interest to determining if there is a negative monetary impact as part of that effect (i.e., Could money be put to better use? Are funds being wasted or not utilized efficiently and effectively?)

## 4. Management of Findings

- a. Summary of Findings. The work papers must contain a summary of findings. This is critical to the work papers “standing on their own”. The summary should be placed near the front of the work papers, and be updated during the course of the survey or audit. If original findings were not included in the final report, the summary of findings should say why they were not.

# VII. AUDIT VERIFICATION PHASE

## A. PURPOSE

This chapter describes the objectives and elements of the verification phase. This phase is also referred to by some organizations as the testing or field work phase. It includes preparing audit programs, implementing the steps necessary to complete the audit, and providing OIG management a briefing on the audit results.

## B. BACKGROUND

Auditors carry out the verification phase of an audit in accordance with an audit program developed as a result of the survey phase. The detailed audit program documents the objectives, scope, and milestones of the verification phase. The verification phase should be well planned, be properly supervised by the Inspector General and/or the Deputy Inspector General, and include a briefing on the results.

## C. RESPONSIBILITIES AND PROCEDURES

Potential findings identified during the survey phase are fully developed and quantified to the extent possible/ practical during the verification phase.

### 1. Preparation

Good advance planning is essential in that it helps keep an audit effort organized and provides the foundation for the audit. The first task in carrying out the verification phase is preparing an audit program. This is one of the most important tasks in the process. The audit team, drawing upon the survey phase results, should carefully plan in advance how the evaluation will proceed, what the main areas of inquiry will be, how the resources available to the team will be deployed, and what specific work steps will be taken to produce the information needed to prepare a good report. In addition, the audit team will update the audit milestone schedule. The audit program will be used as a vehicle for in-depth discussions during the verification phase with the Inspector General and /or Deputy Inspector General and will serve as a blueprint for how the audit team will approach and conduct its work.

Each verification phase audit program should contain two sections: the audit program itself and, when appropriate, a milestone chart.

The audit program should contain the specific audit work steps and procedures to be followed in developing information for the objectives identified. The audit program also serves as the place to document special taskings to others, if appropriate, in support of the audit.

Audit programs should identify for each objective (1) the criteria (new or refer to survey program), and (2) specific audit steps to provide sufficient, competent, and relevant evidence, including plans for direct observation, document reviews, analyses, interviews, and surveys of staff. The Inspector General or Deputy Inspector General approves the audit program. All revisions to audit programs must be approved by the Inspector General and/or the Deputy Inspector General depending on the significance of the changes.

The milestone chart lists the estimated completion dates for major elements of the remaining audit work, from the field verification phase through completion of the draft report, the discussion of the draft report at the exit meeting with the agency, and the distribution of the

# AUDIT VERIFICATION PHASE

final report to the agency. The audit program and the milestone chart will be approved by the Inspector General and/or the Deputy Inspector General.

Conditions and findings uncovered during the verification stage do not always turn out quite the same as initially anticipated. As the audit evolves, it may be necessary to revise, redefine, and update the planned approach or the anticipated milestones. Auditors can reflect minor changes in memoranda of project meetings. Significant changes must be identified by revising the audit program or milestones in the work papers. These changes must be approved by the Inspector General and/or Deputy Inspector General. If auditors make significant changes in the objectives or scope, County officials should be informed. Changes should be made in a different color or typeface so that they are identifiable.

## 2. Implementation

The audit team is responsible for collecting, analyzing, and documenting the information necessary to accomplish the audit objectives. During the verification phase, the team should assure that the finding attributes are fully developed, all audit assumptions have been tested and proved or discarded, work papers contain sufficient evidence to support reportable findings and conclusions, and work papers are reviewed and comments cleared.

- a. Time Frames. In performing audit verification, the audit team is to be mindful of the time frames established. An excessive overrun during this phase of the audit could delay subsequent audits. Delays in completing the verification phase must be approved by the Inspector General and/or Deputy Inspector General on the audit milestone chart.
- b. Audit Verification. The audit team should complete all audit steps necessary to attain the objectives spelled out in the audit program. As test and verification procedures are performed, the audit team should ensure that:
  - (1) the obtained evidence meets the basic tests of sufficiency, competence, and relevance;
  - (2) findings and conclusions are based on an objective evaluation of all pertinent facts; and
  - (3) the audit has been conducted in conformance with the procedures established in this manual and the standards prescribed by GAGAS and other applicable requirements.

As the audit team gathers evidence and information, auditors should create work papers that support the work performed and the conclusions reached. The Inspector General and/or Deputy Inspector General should approve all work papers generated during the verification phase before the audit team begins writing the draft audit report. In some cases, the need for an additional work paper is identified during development of the draft report, during the report referencing process, as a result of subsequent meetings with OIG management, or based on the results

of the discussion draft report exit meeting. In such cases, the previously discussed process for completion and approval of work papers will be followed.

## D. COMPLETION MEETINGS

1. **With the auditee (preliminary).** As a final step of the verification phase, and prior to creating a report outline and drafting the audit report, the audit team may hold a meeting with those

# AUDIT VERIFICATION PHASE

agency managers who will have to implement any recommendations that may result from the audit work. The audit team should discuss the facts gathered during the audit and generally outline any projected findings, conclusions, and recommendations. The intent of this meeting is to provide management an opportunity to clarify or provide additional information and to comment on corrective actions taken or planned in response to the pending findings. Management officials should be informed that the meeting is being conducted as a courtesy and that the pending findings are tentative, do not represent an official Inspector General position, and are subject to change. All meetings should be fully documented in the work paper files. If the message changes significantly during the report writing phase (or subsequent to the OIG management briefing), the audit team should follow up with the agency managers and convey the revised message.

This meeting may be held prior or subsequent to the OIG management briefings (described in next paragraph).

2. **With OIG management.** At or near the end of verification, the audit team should have an End-of- Fieldwork Meeting with the Inspector General/Deputy Inspector General. The purpose is to obtain general concurrence as to the adequacy and completeness of audit procedures, nature of tentative major audit findings and recommendations, and timing and agenda for the Exit Conference with the County. Matters to be discussed might include:
  - a. Brief background recitation (if necessary)
  - b. Findings – Detailed discussion of criteria, condition, cause, effect, and tentative recommendations
  - c. Remaining steps, particularly if it is determined during this meeting that additional audit work is needed
  - d. Upcoming milestones, including the exit conference

The audit team should also conduct a Message Meeting with the Inspector General and Deputy Inspector General, the purpose of which is to agree on the overall message(s) of the audit report. There should be consensus before creating the discussion draft report. This meeting may be combined and held with the end- of-fieldwork meeting.

At a Report Outline Meeting, the audit staff establishes the focus and flow of the report and obtains comments from the Inspector General and Deputy Inspector General to facilitate preparation of the discussion draft report. It is important in this meeting to review a proposed outline or generate such an outline at the meeting.

The outline should cover what the audit staff intends to say in the report's (1) background, (2) objectives, scope, and methodology, and (3) findings. The findings should be described in the outline in enough detail for the reader/reviewer to gain a clear sense of how the report will flow. The outline will demonstrate that there is enough convincing evidence for each element of each finding.

3. **With the auditee (final).** Auditees are usually interested in the OIG findings, and they typically want a chance to discuss (and possibly argue against) the findings and recommendations. It is therefore important to hold an Exit Conference as soon as possible after we conclude the verification phase. The Inspector General and/or the Deputy Inspector General and cognizant Assistant Inspector(s) General attend the exit conference. Also in attendance should be the cognizant County officials. Meeting discussions should be documented in a work paper.

We should present and discuss our Discussion Draft Report at this conference. The objective is to discuss our findings, conclusions, and recommendations in order to solicit comment and feedback.

# VIII. AUDIT WORK PAPERS

## A. PURPOSE

This chapter describes the general standards for the preparation of audit work papers and the procedures for retaining and retiring audit work papers.

## B. BACKGROUND

The term work papers includes all documents and papers the audit team prepared or collected in connection with an audit and determined to be relevant. Work papers provide a systematic record of work performed and are the link between audit work and the audit report. Adequate work paper planning and supervision helps to ensure that the purpose and scope of work performed is sufficiently documented to support the findings, conclusions, and recommendations presented in the audit report. Accurate and reliable information must be the basis of all recommendations to management. As such, work papers must contain reliable and relevant evidence to support findings and conclusions reported. The audit team should systematically arrange and organize work papers to facilitate their review and report referencing.

The audit team should prepare work papers in accordance with the general guidelines contained in GAGAS and the requirements of this manual. The preparation of work papers will be properly supervised and evidence of this supervision will be documented on the work papers.

## C. RESPONSIBILITIES AND PROCEDURES

All staff are expected to know and apply the policies, procedures, and standards of work paper preparation. Overall, audit work papers should contain sufficient information to enable an experienced auditor to ascertain from them the evidence that supports the auditors' significant conclusions and judgments.

### 1. Purpose of Work Papers

Work papers provide a permanent record of the purpose, scope, and objectives of an audit and the extent of audit work performed. They contain the data, information, and evidence used to support the audit findings, conclusions, and recommendations, and are the basic source of material from which the audit report is prepared. Equally important, work papers reflect the quality and reliability of the work performed by the auditor, and provide a management tool to evaluate, monitor, and help direct the audit's progress.

One standard of the ultimate quality of work papers is stated in Government Auditing Standards (July 2007 Revision), which states:

*Auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed, the audit evidence obtained and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions.*

### 2. Planning of Work Papers

Adequate planning of each work paper is necessary to achieve the required quality. The auditor should know the purpose of the work paper before it is prepared. The auditor should plan the work paper to provide the data required to satisfy the

# AUDIT WORK PAPERS

requirements of the survey/audit program. A work paper may be less than one page, or many pages, depending on the content. Likewise, a work paper may consist of a series of interlinked work papers maintained in one document or a separate, stand-alone, single file.

## 3. Standards of Evidence

Work papers represent the accumulation of physical, documentary, testimonial, and analytical evidence gathered during the course of an audit. Physical evidence can be obtained by observation, photograph, or similar means. Documentary evidence consists of official records or data, correspondence, contracts, vouchers, excerpts or extracts from books, and so forth. Testimonial evidence is obtained by interviewing or taking statements from involved persons and acknowledged experts and through questionnaires. Analytical evidence includes computations, comparisons, separation of information into components, and rational arguments. Regardless of the type, the evidence must meet the basic tests of sufficiency, relevance, and competence. GAGAS standards of evidence are:

- a. **Sufficiency.** Is there enough evidence to persuade a reasonable person of the validity of the findings?
- b. **Relevance.** Does the evidence used to support a finding have a logical, sensible relationship to that finding?
- c. **Competence.** Is the evidence valid? For example, evidence obtained through the auditor's direct physical examination, observation, computation, or inspection is more competent than evidence obtained through testimony (i.e., if the auditee said it was so).

## 4. Preparation

Work papers should be prepared in a consistent format and contain certain characteristics. A work paper should indicate on the first page, at a minimum, the date the auditor completed the work paper, the auditor's name, the associated audit title, and an index number. All work papers should be prepared as soon as practicable after an examination, review, or interview is conducted.

- a. **Physical Characteristics.** The size of each work paper may vary. However, a work paper should not be so large as to render the information unusable or confusing in bringing about the point being made. If information from other large documents (such as manuals, management directives, or reports) is pertinent to a work paper, only the pertinent sections or information from those documents should be included. If an auditor believes additional information from the larger document is pertinent, those portions of the document should be linked to the work paper. Large databases, copies of draft reports, and other voluminous data may be included in the work papers in electronic format or in a bulk file.
- b. **Audit Title.** Each work paper should include the title of the assignment, e.g., Audit of Noncapitalized Property.
- c. **Objective Designation.** Each work paper should, as appropriate, include identification of the pertinent audit objective (as related to the survey/audit program) to which the information pertains.
- d. **Subject.** Each work paper should clearly identify the subject of the information contained in the work paper, e.g., Schedule of Property Procured.

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- e. Purpose. Each work paper should include a statement of the purpose for preparing the work paper, if the purpose is not quickly apparent. This statement should clearly state the result or effect that is intended or desired as a result of preparing the work paper.
- f. Source. Each work paper should specifically identify the source of the information in the work paper. The source should include the name, title, and office of the persons providing the information.
- g. Information Requests. Any request for information or data should be formally documented. Requests should be made by email or memorandum and a copy of such along with the response is to be made part of the work papers. A request should be made directly to the organization under audit and a copy of the request should be sent to the Chief Administrative Officer and Deputy Chief Administrative Officer.
- h. Scope. If not clearly apparent, the scope of work should be included in the work paper or in a memorandum accompanying the work paper. The scope should clearly present the focus (or target) of the work paper in order to better explain the audit work that the auditor performed. The statement of scope should describe the period covered for the information obtained and the basis for the period covered. The scope may also describe the basis for selection of items for review and the relationship of the items reviewed within the total universe of items. Basically, the scope section puts boundaries on what has been analyzed. For example, a scope statement might indicate that the work paper is a listing of all noncapitalized property (instead of all property) valued at more than \$10,000 (instead of any value) procured in fiscal year 2008 (instead of an indefinite period of time).
- i. Detail (or Content). To facilitate the use of information contained in large documents, a separate work paper should contain an analysis or summary of the pertinent information related to the documents. The analysis should be cross-referenced to the appropriate sections of the documents.  

All acronyms, abbreviations, symbols, and tick marks appearing on a work paper should be explained so that the work paper can stand alone and be understood by someone not associated with the audit.
- j. Summary/Conclusion. When appropriate, work papers should include a narrative summary/ conclusion relating to the purpose for preparing the work paper. The conclusion should concisely and clearly state the results of the preparer's analysis and evaluation of the information obtained. The work paper conclusion should be sufficiently stated to provide a complete understanding of the work paper to the referencer or reviewer, but should not be broader than what can reasonably be drawn from that specific work. Sound professional judgment must be exercised in formulating audit conclusions.
- k. Work paper Considerations. When appropriate, a work paper may contain considerations for future action by the audit team. The considerations could address a condition that needs correction, a decision not to perform additional work in the area, or a decision to extend work in the area.

## 5. Organization of Work Paper Files

Work paper files should contain a complete record of the audit from the preliminary planning phase through the issuance of a final report. Well-planned and organized work papers are necessary to achieve a professional quality audit. Information collected during an audit is of little value unless it is logically organized and retrievable.

# AUDIT WORK PAPERS

In general, the organization of work paper files will be determined by the survey/audit program developed to conduct the audit.

- a. **Work Plan.** All work paper files will contain a written plan of action. The plan must discuss the objectives, scope, methodology, and results of the audit or investigation. The plan must be written at the beginning of the engagement and updated as the audit or investigation continues.
- b. **Summary of Findings.** The work paper files must contain a summary of findings. This is critical to the work papers “standing on their own”. The summary should be placed near the front of the work papers, and be updated during the course of the survey or audit. If original findings were not included in the final report, the summary of findings should say why they were not.
- c. **Final Report.** Work paper files should contain the final report released to the County. A copy of the final report cross-referenced to the work papers is also included in the work papers. Draft reports with reviewer comments will be retained by the audit team until such time as the report becomes final. Once this occurs, all draft reports and reviewer comments will be destroyed.

## 6. Indexing of Work Papers

Because of the diversity of audits performed by the OIG, a uniform indexing plan is not practical. The indexing system used should be simple, expandable, consistently applied, and related to the audit program to ease the review and referencing process.

The indexing system for each audit should be devised as part of the audit program. It should be based on the audit objectives and the planned sequence of the audit. Indexing should be done on a current basis as the work papers are prepared.

Cross-indexing is the process of recording the index designations on work papers to identify supporting or related information on other work papers. Complete and accurate cross-indexing of work papers is essential for proper analysis, review, and interpretation of assignment results. Cross-indexing at each step is necessary to ensure that all pertinent facts and conclusions are accurately stated. To be most effective, cross-indexing must be kept current. At a minimum, work papers should be cross-indexed to related work papers, summary sheets, and the final report.

If any audit step is not performed, a statement should be provided in the audit program which explains why the step was not performed, and this decision should be presented to audit management for approval.

## 7. Handling of Personally Identifiable Information

Personally Identifiable Information (PII) is information about an individual which can be used to distinguish or trace an individual's identify. PII includes but is not limited to items such as social security numbers, date and place of birth, and mother's maiden name. PII does not include a person's name, title, work telephone number, official work location, and work email address.

Auditors must protect all work papers and information containing PII that is obtained in the course of an audit. PII should not be removed from OIG space, it should not be taken home if working off-site, and it must be either shredded or disposed of in accordance with County and OIG policy when no longer needed.

# AUDIT WORK PAPERS

## 8. Supervisory Review

Continuous review of audit work papers should be performed to ensure the professional caliber of audit performance. This procedure affords the opportunity to appraise work papers that do not meet the desired criteria, detect audit steps not correctly performed, question conclusions reached, and expand coverage as necessary. Work papers are reviewed for approval by the Deputy Inspector General or the Inspector General, preferably within two weeks of completion.

The reviewer should prepare “review notes” (if necessary) about the work papers. The review notes should:

- a. Indicate where additional work or explanation is required;
- b. List or articulate questions pertaining to the work papers; and
- c. Offer insights into the subject based on personal knowledge and experience.

The reviewer should discuss each review note with the work paper preparer, and gain comfort that the question or suggested change has been dealt with on the revised work paper appropriately. All review notes will be destroyed upon issuance of the final report.

The reviewer should sign each work paper reviewed. The reviewer should not merely sign the cover of a work paper binder as indication that he/she has reviewed all of the work papers therein.

## 9. Custody, Access, and Retention

- a. **Custody.** Work papers developed during the course of an audit become the official records of the OIG, and must be adequately safeguarded to ensure that they are not lost, stolen, altered, destroyed, or accessible to unauthorized persons.
- b. **Access.** Under most circumstances, the use of work papers will be restricted to OIG employees. Some data contained in the work papers, however, could be useful to others in the performance of their official duties. Accordingly, only the Inspector General or Deputy Inspector General can authorize the furnishing of information to others who have an official need to see the work papers. When access is authorized, copies, excerpts or extracts of the work papers may be made within reasonable limits.
- c. **Retention.** Work paper files, similar to investigation files, are retained seven years, including the year of the audit report. See exhibit X1.

# IX. AUDIT REPORT FORMAT

## A. PURPOSE

This chapter describes the standard report format and prescribes guidelines for preparing each part or section of an audit report. It is intended to assist audit teams in preparing professional quality audit reports and to ensure consistency in reports. Reports will follow the format discussed herein to the degree warranted and given the circumstances.

## B. BACKGROUND

The end result of an audit is the audit report. Audit work has little meaning if the results are not reported in a clear, concise, and factually accurate manner that can be understood by both the auditee and those unfamiliar with the audited subject. Audit reports should provide a balanced and objective presentation of the matters audited and should be written in a tone that will foster management acceptance of the recommendations. In addition, all reports should place primary emphasis on opportunities for improvements rather than criticism of the past. Critical comments should be presented in a balanced perspective and should, where appropriate, reflect consideration of the difficulties faced by operating officials.

## C. STANDARDS AND FORMAT

### a. Reporting Standards

As stated in Section A, County Code Section 151.3.h.2 states, *“In each project of the Office, the Inspector General should uphold the objective of complying with applicable generally accepted government auditing standards.”*

GAGAS standards require that “Auditors should prepare audit reports communicating the results of each audit.” Reports are necessary to communicate audit results to officials and facilitate follow-up to assure corrective actions have been taken on report recommendations. The form of the audit report should be appropriate for its intended use, but should be written or in some other retrievable form.

- a. Presentation. Audit reports will provide factual and accurate data presented fairly and without bias. Reports will include only information that is adequately supported by sufficient evidence in the work papers.
- b. Timeliness and Distribution. To achieve maximum effectiveness, the results of OIG audits should be reported promptly to County management and officials so that they may make timely use of the information provided.

### 2. Contents. Reports shall include:

- a. A description of the objectives, scope, and methodology used to develop the report and, when sampling significantly supports auditors’ findings, a description of the sample design and statement as to why it was chosen and whether the results can be projected to the intended population.
- b. A statement that the audit was performed in accordance with generally accepted GAGAS, or a statement describing any deviation from standard procedures or limitations.
- c. A statement that the auditors reviewed the County’s internal controls pertaining to the subject.
- d. A full discussion of audit findings and applicable conclusions.
- e. A description of the cause of problems noted and recommendations to address the root cause of the problems.
- f. Instances or indications of noncompliance, abuse, or illegal acts.
- g. A description of noteworthy program accomplishments.

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- h. Pertinent views of responsible officials, including a copy of management’s written comments (if provided) to the draft report.
- i. A statement that information has been omitted because it is considered privileged or confidential, when applicable.

## 3. Report Format

Audit reports will normally be presented in the standard OIG audit report format to ensure consistency. A memorandum report format can be used to report: small, one-finding results with or without recommendations; results that require quick management reaction; or audit results that do not require recommendations for corrective action. Changes in the report format may be made to satisfy unique reporting situations.

The standard OIG audit report format consists of the following:

- a. Transmittal Memorandum to County Official. This transmitting document is written in a standard memorandum format from the Inspector General to the President of the County Council and the County Executive. It may include a statement as to whether County officials agreed with our recommendations. It is attached to the formally-bound report, but is not included as part of the report upon its public release.
- b. Report Title Page. The report title page should include a neutral report title that identifies the audited entity or program, and the date of the report.
- c. Report In Brief (Optional). The report in brief should include the report title and date. It must be concise. It should include the following sections:
  - (1) Background. Provides the reader with sufficient background to understand the organization.
  - (2) Why We Did This Review. States basic program information and the objective(s) covered by the audit. Objectives should include a review of internal controls.
  - (3) What We Found. Answers the objective(s) stated in the previous section, provides a conclusion, and states an effect.
  - (4) What We Recommend. Presents the auditors’ principal recommendations.
- d. Abbreviations and Acronyms (Optional). A list of abbreviations and acronyms is included to help the reader. The use of abbreviations and acronyms should be kept to a minimum. Avoid paragraphs and findings that are “acronym packed” and which would cause the reader to refer repeatedly to the list of abbreviations and acronyms.
- e. Table of Contents (Optional). The table of contents is intended to provide readers with a guide to the specific sections of the audit report. Each finding should be enumerated; sub-sections of findings are not listed. Finding titles listed in the table of contents should be identical to the respective titles used in the body of the report.
- f. Introduction. Introduces the program under audit and restates the objective.
- g. Objectives, Scope and Methodology (OSM). These areas should be addressed in this section of the report but may be presented in the first appendix to the report.
- h. Background. Sufficient background should be included to provide the uninformed reader with an understanding of the audited area or entity and enough information necessary to appreciate the significance of the audit findings and conclusions. General information regarding the functions, activity, or program audited, governing laws and

# AUDIT REPORT FORMAT

regulations, and other information should be written in non-technical terms. Care should be taken to not include more background information than required to understand the ensuing findings.

- i. Findings and Recommendations. Each finding should be descriptive and contain a finding (or charge) paragraph, discussion section, conclusion, and recommendation(s).

The finding (or charge) paragraph should contain a summary of the finding. It should highlight, but not label, criteria, condition, cause, and effect—normally in that order. It should be concise and should give the reader an understanding of the problems and the need for the recommended actions.

The discussion that follows the finding paragraph must contain sufficient factual data to fully convince the reader that: (1) significant problems exist; (2) the root causes have been identified; (3) the audit team's conclusions are valid; and (4) each recommendation is realistic and workable. The report should provide readers with adequate information, but should not be excessively wordy and long so as to discourage readers from reading the document. Report writers and reviewers must carefully judge when the proper balance between completeness and conciseness has been achieved. Graphs, diagrams, charts, and/or photographs should be used (as appropriate) to help the reader understand the finding.

Recommendations should be measurable, directly relate to the cause(s) described in the finding section, and made to appropriate County officials. Recommendations may be reported with each related finding for ease of understanding, or when more appropriate, included in a consolidated list of recommendations.

- j. Summary/Conclusion (Optional). For audit reports with multiple findings and recommendations (complex audit reports), a summary or conclusion may be developed to recap and emphasize the most important messages contained in the report.
- k. Consolidated List of Recommendations (Optional): For ease of reference during the report resolution process, reports with many recommendations may include a consolidated list of recommendations. In this section, each recommendation will be repeated verbatim, using the same recommendation numbers and wording as in the body of the report (when presented there).
- l. Management Comments (from the Chief Operating or Administrative Officer of each agency affected) on the Draft Report: Management comments (provided preferably in writing) will be summarized and included in this section, as warranted. The OIG's evaluation of management comments will also be included in this section. Balance should be achieved between the length of management's comments and OIG's evaluation thereof.
- m. Standard Appendixes: If objectives, scope, and methodology were not discussed in the body of the report, the first appendix should always be "Objectives, Scope, and Methodology." This appendix should clearly explain the methodology for addressing each objective, and any limitations, such as items not examined or specifically excluded, should be clearly and explicitly identified. The methodology should include a statement about any review of internal controls and performance measures applicable to the audited area. Time frames covered by the audit, as well as the time period required to do the audit, should be shown. Likewise, major County offices where audit evidence was gathered should be stated. Major contributors to the report should be identified.

# AUDIT REPORT FORMAT

The OIG intends to follow Generally Accepted Government Auditing Standards (GAGAS) in all of its audits. GAGAS standards require the auditor to refer to compliance with GAGAS in the auditor's report. This reference may be either an unmodified GAGAS compliance statement or a modified one.

If the audit was performed in compliance with GAGAS standards, the following statement will be included in this section:

*We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.*

If the audit was not conducted in accordance with GAGAS standards, the OIG is required to issue a modified GAGAS compliance statement, stating either that (1) the auditor performed the audit or attestation engagement in accordance with GAGAS, except for specific applicable requirements that were not followed, or (2) because of the significance of the departure(s) from the requirements, the auditor was unable to and did not perform the audit or attestation engagement in accordance with GAGAS.

Other appendices may be used to present data not specifically related to the findings, such as organization charts or flow charts. Appendices may be further used to present considerable detailed statistical data or explanatory material. In these cases, the information contained in the appendixes should be summarized in the report findings and referenced to the appendixes.

The appendix following the Objectives, Scope and Methodology should generally be "Agency Comments to the Draft Report". Agency comments are generally presented in original form as an appendix. If more than one agency is affected, and provides comments, both sets of formal comments should precede other appendixes.

# X. AUDIT REPORT PROCESSING

## A. PURPOSE

This chapter describes the procedures and responsibilities for completing and processing audit reports. It is intended to assist staff in issuing quality audit reports as expeditiously as possible.

## B. BACKGROUND

Draft reports undergo a specific review process prior to their transmittal to the County for comment. The purpose of the review process is to identify any improvements needed in the report's structure, substance, perspective, balance, readability, and adherence to OIG policies and to assure that the contents are consistent with overall OIG positions, GAGAS, and other applicable requirements.

## C. RESPONSIBILITIES AND PROCEDURES

The Inspector General is ultimately responsible for assuring that audit reports meet the high quality standards of the Office of the Inspector General and are consistent with the reporting standards of this audit manual, GAGAS, and other applicable requirements. The report review process is designed to support this responsibility.

### 1. Preliminary Report

After the cognizant Assistant Inspector General prepares the preliminary draft report, it is forwarded to the Deputy Inspector General for review. After agreed-upon changes are incorporated, the draft is provided to the Inspector General for review and comment. Once comments are received and incorporated, as appropriate, the preliminary draft is forwarded to the independent referencer.

All comments should be resolved and any major changes that add factual data or change conclusions must be indexed to the working papers and checked by the referencer.

### 2. Discussion Draft Report

After comments from the internal OIG review have been incorporated into the draft report, it is transmitted, in the form of a discussion draft, to appropriate County officials for review and comment at the exit conference. The discussion draft will be prominently labeled as "DRAFT." One of the OIG representatives should take minutes of the discussions at the exit conference and write a narrative of such for the work papers. This work paper should include all significant points raised and discuss management's reasons for disagreements (if any) with facts, conclusions, and recommendations contained in the discussion draft, along with management's suggested report changes. If there is serious disagreement on the report's findings, conclusions, or recommendations that cannot be resolved during the exit conference, OIG will coordinate additional meetings and revised draft reports, as needed. The OIG team will incorporate, as appropriate, those management views and positions which can be clearly established and verified (referenced) into a final draft report.

### 3. Final Draft Report

A final draft report will be issued to management for comment and will contain modifications based on previous meetings. The final draft report will again be prominently labeled as "DRAFT." The audit team prepares a final draft report transmittal memorandum for signature by the Inspector General. County officials are given a reasonable period of time (typically not

# AUDIT REPORT PROCESSING

dependent upon such factors as length of report, complexity of the subject matter, and/or number of program officials impacted) to respond in writing to a final draft report. The OIG will negotiate a reasonable extension to the response date when requested to do so by County officials. If the officials decline to provide written comments, the OIG will note in the report that management declined to provide a formal response. If written comments are not provided within the time period agreed to by County officials (if officials have not attempted to negotiate a different time period, that fact constitutes tacit agreement to the time period requested by the OIG) and it appears unlikely that a response will be provided without unreasonable delay, the OIG will note in the report that management did not provide a response and the OIG may, at its discretion, issue the report as a final confidential report to County officials and then subsequently release the report to the public .

#### **4. Final Confidential and Public Reports With Management Responses**

The final report with management responses included as an appendix (or in some cases appendices) to the report will be issued as a final confidential report to County officials.

The transmittal memorandum from the IG will specify the anticipated public release date of each report a number of days (usually three to five days following distribution to County officials). The purpose of the delayed release is to provide officials a sufficient number of days prior to public release to enable them to review the report, consult the IG regarding the findings and recommendations, if necessary, and be prepared for any questions they may receive upon public release. Paper copies will be issued to each member of the County Council and to the County Executive, indicating the anticipated date for the earliest public release of each report. Copies, either paper or electronic, will also be issued to the Chief Administrative Officer, and/or Chief Operating Officer of each agency affected by the report. The Senior Legislative Attorney, Assistant Chief Administrative Officer, and other appropriate officials may also receive copies.

#### **5. Final Report Without Management Responses**

If affected County officials do not respond to an OIG report at least thirty calendar days following release of the final confidential report without a management response, this version of the report may be publicly released. If management responses are subsequently received, the responses to the report and IG comments addressing those responses will be distributed to those officials that received the final report. Those materials will be appended to the previously released final report and publicly released.

Each final report is posted on the OIG's website.

# XI. COMPLAINT INTAKE AND INVESTIGATION PROCESSES

The OIG receives many allegations of improper behavior by County employees and Departments during any given year. This section describes the standard processes for handling those allegations.

Allegations received by phone (OIG hotline or general office), email, or delivery<sup>1</sup> generate the preparation of a Complaint Intake and Processing Form (available on the F Drive and included as an Appendix to this manual) which is presented to the Deputy Inspector General for insertion into the Complaint Intake and Processing Log (which is also on the F Drive). The OIG member who wrote the Intake form will then present the matter for action and consideration during the weekly input meeting. All of the OIG staff members will at that meeting collectively determine an appropriate course of action:

- A. Credible allegations of employee misconduct or violation of rules or minor administrative issues that require no further inquiry should be referred to appropriate management. Depending on the nature of the matter, the OIG may ask for a response by a certain date.
- B. Allegations of official misconduct will typically result in a Preliminary Inquiry or move directly into an Investigation. The purpose of a Preliminary Inquiry is to identify if there was any significant 1) violation of a rule, regulation, or law, or 2) gross negligence resulting in inefficiency or ineffectiveness. In performing a Preliminary Inquiry, the OIG staff members develop sufficient preliminary evidence to identify the violation, the individual(s) who committed the violation, and estimates of financial losses to the County or organization if possible.

After the OIG has performed a Preliminary Inquiry and drawn preliminary findings therefrom, each case is different and steps may be required in different sequences:

- A. Refer preliminary findings indicating official misconduct by a high ranking official to appropriate law enforcement officials.
- B. Refer preliminary findings substantiating a criminal violation and significant financial costs to the County law enforcement. Include evidence to identify the violation, the individual(s) committing the violation, and estimates of financial losses to the County or organization, if possible. In rare instances the investigation may be declined by law enforcement, but further evidence may substantiate a criminal violation and significant financial costs to County. In this event, consult with the County Attorney and discuss another referral to a prosecutor or law enforcement, as appropriate.
- C. Refer preliminary findings indicating a violation of administrative rules or law by a lower level employee to the affected management. Include preliminary evidence identifying the nature of the violation, the individual(s) committing the violation, and estimates of financial losses to the County or organization if possible. Depending on the nature of the matter, the OIG may ask for a response by a certain date.
- D. As to preliminary findings indicating only inefficiency and/or ineffectiveness, and no violation of criminal law, consider whether the issue should result in an audit or inspection review. If so, perform the audit or inspection, and issue an audit or inspection report. Consider the entire processing cycle for subsequent audit or inspection.
- E. If the preliminary inquiry fully substantiates only findings of an administrative violation and the OIG has no recommendations, consider the matter an investigation and issue a confidential Report of Investigation to affected management;
- F. If violations could not be fully substantiated, close the matter without action. Consider providing a confidential closeout memo to affected management.
- G. If the preliminary inquiry revealed significant employee or departmental violations of County code, the Inspector General may decide to open one or more formal Investigations.

# COMPLAINT INTAKE AND INVESTIGATION PROCESSES

In conducting preliminary inquiries and investigations, the OIG follows several protocols, as follows:

- A. Referrals require a formal memo or message to the COO of the County-funded entity or the County CAO.
- B. Audits or Inspections initiated for any reason require formal memos or messages to the COO of the County-funded entity or the County CAO announcing the entrance conference. Subsequent memos will announce the exit conference, the issuance of draft reports, and requests for management to provide responses to drafts.
- C. Data requests for information initiating a Preliminary Inquiry or an Investigation into an administrative matter are initiated through memos to the County CAO (it is not anticipated OIG will conduct such investigations of County-funded entities).
- D. Follow-up data requests may be requested orally or via email with a cc to a designated audit liaison.
- E. Referrals to law enforcement or prosecutors may be initiated orally via telephone, personally in a meeting, or via email with documents attached, depending on the sensitivity of the data transmitted. Declinations from law enforcement or prosecutors are accepted orally or via email. Referrals presenting investigative evidence are presented formally via courier mail or in person.
- F. At every stage of an OIG investigation or a matter referred to law enforcement, knowledge of an ongoing investigation is not discussed openly and information related to the allegation referred to law enforcement is confined to the extent possible and practical.

## XII. INVESTIGATIONS STANDARDS

In 1997, the Montgomery County Council passed legislation to create the Office of Inspector General (OIG) to serve as a watchdog to detect and prevent fraud, waste, and abuse in County government operations. The

**As stated in the Code, the goals of the OIG are to:**

- A. Review the effectiveness and efficiency of programs and operations of County government and independent County agencies;
- B. Prevent and detect fraud, waste, and abuse in government activities; and
- C. Propose ways to increase the legal, fiscal, and ethical accountability of County government departments and County-funded agencies.

The OIG conducts investigations in accordance with the Quality Standards for Investigations (November 15, 2011) (hereafter, the QSIs) issued by the Council of Inspectors General on Integrity and Efficiency. The QSIs are available through the OIG website.

### A. INTRODUCTION

#### 1. Background

In accomplishing its mission, the OIG may use a variety of approaches, including investigative and forensic audit techniques, to gather and assess evidence related to an alleged wrongdoing; potential violations of laws, rules and regulations, policies, and procedures; or other abuses that impact negatively on the ability of the County to effectively and efficiently carry out its mission. Normally, investigations focus on obtaining sufficient factual evidence for use in determining whether criminal, civil, or administrative actions should be initiated against the specific parties for their actions or lack of actions. But also, in the course of these investigations, the OIG may identify high-risk areas and determine where internal controls should be strengthened. These findings would be presented to the Chief Administrative Officer of Montgomery County for corrective action.

The QSIs provide both General and Qualitative standards. In the following discussion, we recite each general standard (with the exception of independence, discussed in a separate section) and then provide the OIG's procedures to ensure compliance therewith.

### B. GENERAL STANDARDS

#### 1. Staff Qualifications

- a. Individuals assigned to conduct the investigative activities for the OIG should collectively possess the knowledge, skills, and experience required for the investigative work.

All full-time OIG personnel have at least a four-year degree from an accredited college. This requirement may or may not hold true for part-time employees, particularly investigators. In that case, job experience may serve as a substitute for a college education, subject to the Inspector General's approval.

As to the knowledge, skills, and abilities of personnel assigned to an investigation, it is the responsibility of the Assistant Inspector General in charge of the investigation to ensure the OIG brings the right levels of combined experience to the assignment.

#### 2. Due Professional Care

# INVESTIGATIONS STANDARDS

- a. Due professional care should be used in conducting investigations and in preparing accompanying reports.
- b. Exercising due professional care means using good judgment in choosing investigation subjects and methodology as well as creating accurate and complete investigation documentation and investigative reports.
- c. Due professional care presumes a working knowledge consistent with investigation objectives. Due professional care requires:
  - (1) Standards. The OIG and his investigators should follow professional standards and comply with applicable standards of conduct
  - (2) Thoroughness. Investigations should be conducted in a diligent and complete manner, and reasonable steps should be taken to ensure that sufficient relevant evidence is collected; pertinent issues are sufficiently resolved; and appropriate criminal, civil, contractual, or administrative remedies are considered.
  - (3) Legal Requirements. Investigations should be initiated, conducted, and reported in accordance with (a) all applicable laws, rules, and regulations; (b) guidelines from applicable prosecutorial authorities; and (c) internal agency policies and procedures. Investigations will be conducted with due respect for rights and privacy of those involved.
  - (4) Appropriate Techniques. Methods and techniques used in each investigation should be appropriate for the circumstances and objectives.
  - (5) Objectivity. Evidence should be gathered and reported in a fair, unbiased manner in an effort to determine the validity of alleged improprieties or evaluate the likelihood of violations of statutes, rules, or regulations.
  - (6) Ethics. At all times the actions of the OIG should conform to the high standards expected of an OIG staff.
  - (7) Timeliness. Investigations must be conducted in a timely manner while recognizing the individual complexities of each investigation.
  - (8) Accurate and Complete Documentation. Investigative findings, conclusions, and outcomes should be supported by adequate documentation, including investigator notes, court orders of judgment and commitment, suspension or debarment notices, settlement agreements, and other documents in the case file.
  - (9) Coordination. OIG staff should coordinate investigations with appropriate officials. In cases where civil or administrative actions are necessary, appropriate OIG staff should coordinate actions with prosecutors and other appropriate officials.

## C. QUALITATIVE STANDARDS

### 1. Quality Control

- a. To ensure quality and expedite the progress of investigations, proper supervision must be exercised from the start of such work to its completion.

Supervision adds expert judgment to the work done by less experienced staff and provides necessary training for them. Supervisors should satisfy themselves that investigators clearly understand their assigned tasks before starting the work. OIG staff should work cooperatively with each other and their supervisors to understand not only

# INVESTIGATIONS STANDARDS

what work they are to do and how they are to proceed, but why the work is to be done and what it is expected to accomplish.

Supervisory reviews should determine:

- (1) If evidence adequately supports any referrals for possible criminal, civil, or administrative action including but not limited to findings, conclusions, and recommendations.
- (2) That investigative objectives are met.
- (3) That investigative plans are followed, unless a deviation is justified and authorized.

b. **OIG investigative work must be adequately planned.**

Planning of investigations is intended to clarify investigative issues to be addressed in advance of initiating the investigation and includes preparing a written investigative plan. Effective planning provides the basis to clearly identify the investigative issues to be addressed prior to initiating the investigation. It includes preparing a written investigative plan spelling out the objectives of the investigation and specific investigative steps to be performed. In this process sufficient effort should be undertaken to assure that investigative objectives will be met within anticipated time constraints of the assignment. In addition, adequate coordination can prevent unnecessary duplication of effort.

c. **Information and data gathered during an investigation should be carefully documented and organized relative to case objectives.**

Appropriate investigative techniques should be chosen and employed to ensure that the data gathered are sufficiently reliable for making judgments regarding the matters being investigated.

Sources of investigative information should be documented in sufficient detail to provide a basis for assessing its reliability. Such documentation should address pertinent questions related to the objectives of the investigation and provide information needed to determine the facts relative to potential violations of laws, rules, regulations, policies, and procedures.

Data gathered and analyzed as part of the investigation should be accurately interpreted, logically presented, and maintained in the investigative case file. The basis and support for the results of investigations should be carefully organized and described in the investigative case file.

## 2. **Evidence**

a. **Sufficient, competent, and relevant evidence is to be obtained to afford a reasonable basis for the investigative findings and conclusions.**

As such, evidence must be:

- b. Sufficient enough to support the report's findings.
- c. Relevant if it has logical, sensible relationships to those findings.
- d. Competent to the extent that it is consistent with fact (valid).

## 3. **Timeliness**

a. **Investigations should be conducted in a timely manner.**

# INVESTIGATIONS STANDARDS

Timeliness increases the value of investigations. The nature of investigations also requires that schedules be flexible in order to respond to changing priorities or unforeseen circumstances, such as the need to expand the scope of an investigation or respond to an emergent need caused by other events.

## 4. Reporting

Investigative activity should, when appropriate, result in a timely referral for criminal prosecution or a written report. All reports must present factual data accurately, fairly, and objectively, and present the results of investigation in a persuasive manner.

Investigative report language should be clear and concise, recognizing that some assignments deal with highly technical or sensitive material, and reports should be written in terms that are intelligible to informed professionals.

Systemic weaknesses or management problems disclosed in an investigation should be reported to appropriate officials. Normally such disclosures will be made as part of a separate written report including recommendations as to specific corrective actions.

## 5. Confidentiality

The OIG should establish and follow procedures for safeguarding the identity of confidential sources and for protecting privileged and confidential information.

## 6. Follow-Up

Appropriate follow-up to administrative or systemic issues identified by investigators should be performed to assure that any recommendations made to appropriate officials are adequately considered and properly addressed.

Ultimate investigative success depends on whether necessary corrective actions are taken. Therefore, the OIG should take steps as necessary to determine whether appropriate officials take timely, complete, and reasonable actions to correct problems identified in investigative reports.

# XIII. REPORT REFERENCING

## A. PURPOSE

This chapter prescribes guidelines for independent referencing of reports.

## B. BACKGROUND

Independent referencing is an important quality control procedure that helps to ensure that report contents are accurate and adequately supported. Independent referencing is the review of a report by an individual who has not worked on any part of the task. Independent referencing checks the accuracy of the report by tracing statements back to the work papers to ensure that:

1. Factual data is presented accurately and fairly.
2. Reports include only information, findings, and conclusions that are adequately supported by sufficient evidence in the work papers to demonstrate or prove the correctness and reasonableness of the matters reported.

All formal OIG reports will be independently referenced. The need for and extent of independent referencing of letters resulting from inspections, evaluations, and other products conducted by OIG staff and/or independent contractors/consultants to OIG will be decided by the Inspector General on a case-by-case basis.

## C. RESPONSIBILITIES

The Inspector General and/or Deputy Inspector General are responsible for quality control and ensuring that reports meet referencing requirements. The independent referencer does not have ultimate responsibility for report contents, but serves as an advisor to the Inspector General and/or the Deputy Inspector General.

### 1. Inspector General and/or the Deputy Inspector General

- a. Ensure, when applicable, that independent referencing is conducted.
- b. In coordination with the Assistant Inspectors General, select the referencer
- c. Resolve any impasse between the referencer and the staff.
- d. Ensure that a supervisory review of the report and supporting work papers has been completed prior to independent referencing.
- e. Review and concur with the team's disposition of referencer's points.

### 2. Independent Referencer

- a. Reviews for adequacy the indexing and cross-indexing of the report. Indexing is the process of linking work papers to the report by indicating where evidence can be found in the work papers for each statement in the report. Cross-indexing is used to link summary work papers or summary schedules indexed in the report to the work papers from which the summaries were developed.
- b. Checks the accuracy of figures and statements of fact.
- c. Clearly marks reviewed material.
- d. Advises the Inspector General and/or the Deputy Inspector General whether or not findings, information, and data are fairly and accurately presented.

# REPORT REFERENCING

## D. GENERAL PROCEDURES

In selecting a referencer, the Inspector General and/or the Deputy Inspector General take into account the complexity and visibility of the report to ensure the judgment required is commensurate with the staff members' levels of experience. The referencer should not have worked on the task in any capacity.

If the referencer is not convinced of the accuracy of, or support for, a statement in the report, the referencer is to only drop his concerns when adequate evidence has been presented and the questioned text has been indexed to that evidence, or when the report is modified to more accurately reflect the content of the evidence. Oral elaboration and explanations often are useful, but the referencer cannot accept oral statements as a substitution.

Dissenting views should be recorded when the referencer believes that stated facts, figures, direct quotes, proper names, and titles are inconsistent with, or unsupported by, the factual material examined. If the OIG team and referencer cannot agree on resolution of all items, the Inspector General or the Deputy Inspector General should resolve such impasses and provide final resolution authority.

As a final step in the independent review process, the referencer should indicate in the work papers that the final report has been independently referenced.

# XIV. OTHER REPORTS AND LETTERS

## A. A. PURPOSE

The OIG issues several types of reports and letters in addition to audit, investigative, and inspection reports. While these reports and letters, described in the following sections, are perhaps of lesser significance than those described earlier, they are important in the sense of OIG transparency. That is, the OIG researches many leads and complaints, some of which yield strong results while others prove unfounded. Yet it is important for the public to know of all significant OIG activities, even while the OIG maintains confidentiality.

Each of these reports or letters is posted on the OIG website, and is thus considered public.

## B. REPORTS OF THE PERFORMANCE OF AGREED-UPON PROCEDURES (AUPS)

The OIG may from time to time employ financial audit techniques but with objectives that are different from those of a typical financial statement audit. According to GAGAS, “Auditors often perform GAGAS engagements under a contract with a party other than the officials of the audited entity or pursuant to a third-party request.”<sup>5</sup> The OIG may in these situations agree with other investigative bodies or organizations to perform such procedures to achieve certain objectives, often as part of a review of internal controls or as part of an investigative inquiry.

AUP Reports must, according to AICPA Standards, include the procedures performed and the findings or results.<sup>6</sup>

## C. REPORTS OF AUDIT SURVEY

As discussed in the chapter of this Manual entitled Audit Survey Phase, an audit survey is the first phase of an audit. The survey is directed toward identifying potential problem areas, determining the need and potential benefits to be derived from a detailed review, and verifying the internal control systems employed in the area to be audited.

At the conclusion of the survey phase, the audit team will recommend to the Inspector General a “Go” or “No Go” decision regarding the next phase (verification). The team will also determine, in conjunction with the Inspector General and/or Deputy Inspector General, if the OIG will terminate the assignment and issue a survey report. If the decision is to prepare a survey report, the reporting procedures and standards of the OIG must be followed.

## D. REPORTS OF RESULTS OF INQUIRY

The OIG often uses a reporting mechanism known as Reports of Results of Inquiry (RORIs). These reports describe actions the OIG has taken in inquiring about, researching, surveying, or investigating subject areas of interest. RORIs are typically shorter in length than routine OIG reports, requiring less OIG assembly time and providing recipients with an attractive and easily-digested document.

RORIs may be appropriate where, for example, the OIG has gathered and assessed sufficient information for the OIG to draw a conclusion, and the conclusion is that no corrective measures or further OIG review are required at that time. RORIs may also be appropriate where the OIG conducted a survey of local governments and found the County to be in line with those benchmarks.

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<sup>5</sup> Government Auditing Standards (2011 Revision), issued by the Comptroller General of the United States, p 121

<sup>6</sup> AICPA AT Section 201.31, *Agreed-Upon Procedures Engagements*

# OTHER REPORTS AND LETTERS

Reports of Results of Inquiry will generally contain:

- A background section which includes the reason the matter initially warranted inquiry (regardless of the age of the matter), the objectives of the OIG's actions, the report's scope, and the methodologies undertaken.
- A description of the OIG's actions (i.e., the procedures performed).
- A conclusion.
- No findings and no recommendations. If findings and recommendations are appropriate as a result of the OIG's actions, then the OIG will issue a standard report, not an RORI.

In accordance with the County Code, the OIG will provide a draft of each RORI to the chief operating officer of each affected department or agency in advance of issuance. The OIG will offer each affected department or agency a chance to respond to the RORI within a reasonable time period specified in the transmittal letter, but a formal response will not be required. If an affected department or agency chooses to respond to the RORI, then the OIG will include that response as an appendix to the RORI. If an affected department or agency elects not to respond, the OIG will request an informal email or letter to that effect.

After then giving the Executive and the Council a reasonable opportunity to review the final RORI, the OIG will post the final RORI on the OIG web site, as the OIG would do with any OIG report. The OIG will at the same time provide the final RORI to the County Council, the Executive, and the chief operating officer of each affected department or agency.

## E. CLOSE-OUT MEMOS

The OIG team may conclude an assignment and have no findings or recommendations. On other occasions, the team may discontinue and disengage from a matter before completing all originally-planned procedures, and having generated no findings or recommendations. In both of these cases, there is no reason to issue a formal report. But there is a need to notify interested parties of this decision, or possibly to merely document it in the files. The OIG writes Close-Out memos in these cases.

If the files contain an audit or investigative plan, Close-Out memos do not duplicate what is stated therein. If they do not, Close-Out memos provide background, procedures **performed** to date, findings to date, and the reason(s) the OIG decided to terminate our efforts.

This Manual addressed Close-Out memos in Chapter V. Audit Survey Phase (p. 15) and Chapter XI. Complaint Intake & Investigation Processes (p 32). Such memos are treated confidentially and distributed beyond the files to only those who are aware of our efforts and have interest in the matter.

## F. LETTERS OF DECLINATION

Citizens occasionally formally ask the OIG to investigate, or at least inquire about, matters that do not meet the OIG's criteria:

- A matter must engender a significant suspicion of a violation of law, regulation, or rule.
- A matter must not be in adjudication by a Court of Law.

In the event a matter does not meet the above criteria, the OIG may send a formal Letter of Declination to the complainant. Before sending such a letter, however, the OIG will provide the Executive and Council a copy of the proposed Letter so that they will be aware of its impending release.

# XV. QUALITY ASSURANCE EVALUATIONS

## A. PURPOSE

This chapter establishes the policy for quality assurance of OIG audit and investigative activities.

## B. BACKGROUND

OIG's foremost goal is producing audit and investigative reports or evaluations that are of the highest possible quality. The intent of the quality assurance program is to verify that effective systems are in place to ensure appropriate quality. OIG's philosophy is that the quality of reports is dependent on, and the responsibility of, all members of the OIG staff.

## C. QUALITY ASSURANCE

The quality assurance program is designed to assess whether the OIG carries out its work in accordance with established policies and procedures, including GAGAS, CIGIE, and the Montgomery County Code.

The nature and extent of the OIG's quality assurance program is determined by a number of factors: the OIG's relatively small size and organizational structure (an Inspector General, Deputy Inspector General, and Assistant Inspectors General); a single location; and the scope of assignments. This is consistent with GAGAS, which states:

*The nature, extent, and formality of an audit organization's quality control system will vary based on the audit organization's circumstances, such as the audit organization's size, number of offices and geographic dispersion, knowledge and experience of its personnel, the nature and complexity of its audit work, and cost-benefit considerations.<sup>1</sup>*

The OIG's quality assurance program is therefore made up of two parts: an internal evaluation program that is performed annually by OIG personnel or by an outside independent contractor/consultant, and an external peer review.

The internal evaluation program is structured and implemented to ensure an objective, timely, and comprehensive appraisal of operations. It is built around annual quality assurance evaluations of one or more of the audits or investigations performed by OIG staff during the year. It should be performed in those years when there is no peer review.

The evaluator applies due professional care to each internal evaluation, including adequate planning of the evaluation, documentation of findings, and development of supportable recommendations.

OIG will arrange for a triennial peer review as required by GAGAS, which states:

*The audit organization should obtain an external peer review at least once every 3 years that is sufficient in scope to provide a reasonable basis for determining whether, for the period under review, the reviewed audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming with applicable professional standards<sup>2</sup>.*

# QUALITY ASSURANCE EVALUATIONS

## D. REQUIREMENTS FOR THE INTERNAL EVALUATION PROGRAM

The requirements for the OIG internal evaluation program are:

1. The internal evaluation review is performed by an Assistant Inspector General (on audits and/or investigations with no personal affiliation) or an independent contractor/consultant.
2. During the course of the internal evaluation review, the person selected will report any difficulties in performing the review to the Deputy Inspector General in order to ensure independence and objectivity in the performance of the review.
3. The internal evaluation reviewer conducts the work with no advance notice given regarding the audit(s) selected, so as to ensure the integrity of the data.
4. The internal evaluation reviewer will obtain sufficient, competent, and relevant evidential matter and sufficient testing will be performed to determine whether the performance of the task and the resultant report were in compliance with the appropriate standards (GAGAS, CIGIE, and/or the OIG's own policies and procedures).
5. The internal evaluation reviewer will use the most current checklists provided in The Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General, issued by the Council of the Inspectors General on Integrity and Efficiency Audit Committee, or any other checklists that may be applicable. The reviewer shall prepare a written report summarizing  
the findings, conclusions and, when applicable, recommendations for corrective action. Isolated less significant instances of non-compliance may be orally reported to the Inspector General.
6. For the record, the Deputy Inspector General will provide written comments for each recommendation describing the corrective actions already taken and/or target dates for prospective corrective actions.
7. Any corrective actions identified during an annual internal evaluation review will be followed up by the internal evaluation reviewer in the next year and reported upon during that internal evaluation review cycle.

## E. REQUIREMENTS FOR THE EXTERNAL PEER REVIEW PROGRAM

The external peer review will include the procedures in GAGAS section 3.57 and 3.58. It should be noted that the review will include a “review of other documents necessary for assessing compliance with standards, for example, independence documentation, CPE records, and relevant human resource management files...”

The OIG will ensure that the organization performing the external peer review is independent of the OIG. It is likely that the OIG will request another audit organization to perform the external peer review, and return the services in-kind to that organization. It is also likely that the OIG will seek reviews from other audit organizations of similar size and scope as the OIG to do the review, so that there is a good understanding of the nature of the OIG's quality controls.

# XVI. RESOLUTION AND FOLLOW UP PROCESS

## A. PURPOSE

This chapter describes the OIG report recommendation resolution and follow-up process.

## B. BACKGROUND

Recommendation resolution and follow-up is an integral part of the audit and investigation process. The US Government Accountability Office (GAO) said the following in a publication titled “How To Get Action On Audit Recommendations”<sup>7</sup>

**Monitoring and Follow-Up System:** The audit organization should have a system that provides the structure and discipline needed to promote action on audit recommendations. It should make sure that recommendations are aggressively pursued until they have been resolved and successfully implemented. Also, auditors should assess whether the agencies they audit have a follow-up system that adequately meets their basic responsibility for resolving and implementing audit

## C. RESPONSIBILITIES AND PROCEDURES

The OIG is an agent for positive change, striving for continuous improvement in management and program operations. Positive change should result from the audit recommendation resolution process in which management takes action to improve operations. As appropriate, OIG will strive to work with the county and county agencies to implement appropriate recommendations.

### 1. Resolution Process

The resolution process begins with the publication of the final report, including the county’s response thereto. Resolution is the point at which OIG and the county management agree on action to be taken on reported findings and recommendations. Resolution may occur before issuance of the final report. That is, management may simply read the draft report, develop a plan of action, and share it with the OIG. On the other hand, management may at the time the OIG issues the final report only concur with the OIG’s findings and recommendations but have no specific action steps in mind. In this case, resolution and a plan of action are developed and vetted through several meetings as appropriate.

The OIG issues a formal report and offers it to the public by placing it on the OIG website. The OIG then meets with several bodies to discuss management’s proposed actions:

- a. Publicly with the county council committee(s) responsible for the area of county operations that will implement the change(s). These meetings involve both management and the OIG.
- b. The legislative analyst responsible for the area of county operations that will implement the change(s)
- c. The Deputy Chief Administrative Officer, who works with departmental management to implement the OIG’s recommendations.
- d. The COO or those representatives of county funded agencies designated to implement OIG recommendations.

### 2. Report Recommendation Follow-up

The OIG provides a soft copy of all reports to the county’s Internal Auditor or the follow-up official designated by the county agency. The follow-up official then monitors the implementation of all audit recommendations, including the OIG’s.

Due to OIG’s small size and the need to focus on current and emerging issues, follow-up audit work is conducted on those report recommendations that OIG considers to be most significant.

<sup>7</sup> Comptroller General of the United States. *How To Get Action on Audit Recommendations* (Washington, DC; US Government Printing Office, 1992), 8-9

# Appendix X.1 Case File Retention and Confidentiality Policy

## CASE FILE RETENTION AND CONFIDENTIALITY POLICY

May 2013

Taking into consideration the benefit confidential reporting brings to the effectiveness of the OIG; privacy requirements under Montgomery County Code §2-151, the Maryland Public Information Act, and other laws; and the procedures of the previous Inspector General, this policy will govern the retention of records for hotline and other issues that the OIG considers for review.

A. General:

- 1) Every case will be given a case number that can be used as a reference at any time.
- 2) If complainants ask about confidentiality, OIG will say that we will maintain all matters as confidential to the extent of the law. However, the OIG cannot guarantee confidentiality.
- 3) A case is open if it has had activity within the last two years, or if the Inspector General deems it open. Otherwise, it is closed. Even if the OIG has issued a Final Report on a case, the case can still be open.

B. Handling of Open Cases:

- 1) Under MPIA, the OIG is not required to disclose most matters on open cases.

C. Handling of Closed Cases:

- 1) When a case is closed, that closed case paper file will contain a broad description of the procedures performed and the conclusion(s) reached. This description may be in the form of a separate typed close-out memo or a note, perhaps hand-written, inserted in the paper file. The description will be manually signed and dated by the author.
- 2) Each closed case file will be completely destroyed on January 1 of the seventh year following the year of the intake. For example, if a complaint is received in 2013, the documents on that complaint will be destroyed January 1, 2020.

# Appendix X.2 Evidence Standards

## EVIDENCE STANDARDS

Evidence is information gathered to support an audit, inspection or investigative finding or conclusion. There are four basic types of evidence that can be gathered or prepared to support positions: physical evidence, documentary evidence, analytical evidence, and testimonial evidence.

### A. PHYSICAL EVIDENCE

Physical evidence is information obtained by direct inspection or observation of activities of people, property, or events, and is usually combined with some form of documentation. Examples include actual samples, photographs, charts, maps, and memoranda of observations.

Generally physical evidence is very reliable but beware of staged exhibitions. To help ensure that such evidence provides a conclusive and appropriate factual basis for a position, the staff member should consider the following:

1. having at least two staff members attending the observation;
2. having agency or contractor personnel accompany the staff members to the point of the observation for corroboration purposes;
3. preparing a memorandum detailing what was observed; and
4. asking, when deemed necessary, appropriate agency or contractor personnel to sign the memorandum.

### B. DOCUMENTARY EVIDENCE

Documentary evidence is printed or written material originating inside or outside the agency being audited or investigated. Examples include letters, memos, contracts, accounting records, invoices, computer printouts, laws, regulations, policies, procedures, etc.

Documentary evidence is the most common form of evidence used in support of a report. Professionals should be alert for indications that the documents may have been altered. Also, documents are sometimes inaccurate, incomplete or outdated, and the meaning of the information can easily be taken out of context. Staff members should attempt to corroborate documented pieces of information with other documents or testimonial evidence from agency officials or both.

### C. ANALYTICAL EVIDENCE

Analytical evidence is analysis or verification of other types of evidence. Examples include computations, reasoning, comparisons of data with established standards (laws, past activities, etc.) and separation of information into components.

The development of sound analytical evidence requires the application of logical and applied reasoning on the part of the staff member. It is often the most powerful form of evidence used to demonstrate that evidence is sufficient to support findings, recommendations, and conclusions.

# Evidence Standards

## D. TESTIMONIAL EVIDENCE

Testimonial evidence is information obtained from others through statements received in response to inquiries or through interviews, conferences, or other forms of discussion. Examples include interview write-ups or questionnaires.

Testimonial evidence is often very helpful, but it is subject to misunderstanding by the parties involved. Write-ups should be prepared promptly to ensure accuracy. The reliability of a write-up can be improved by having the person interviewed acknowledge agreement by signing it. For important interviews it is advisable to have two staff members present.

The source of critical statements is important. Does the person(s) interviewed have the knowledge and authority to speak for the agency? If not, additional contacts must be made. Statements should be corroborated when possible by checks of records or physical tests.

## E. BASIC TESTS OF EVIDENCE

Evidence should meet the basic tests of competence, relevance, and sufficiency.

### 1. Competence

To be competent, evidence should be reliable and the best obtainable through the use of reasonable methods. In evaluating the competence of evidence, staff members should carefully consider whether there is any reason to doubt its validity or completeness. If there is, staff members should obtain additional evidence.

The following are useful in judging the competence of evidence, but they are not to be considered sufficient in and of themselves to determine competence:

- a. Evidence obtained from an independent source is more reliable than that secured from the agency.
- b. Evidence developed under a good system of management control is more reliable than that obtained where such control is weak or unsatisfactory.
- c. Evidence obtained through physical examination, observation, computation, or inspection is more reliable than evidence obtained indirectly.
- d. Original documents are more reliable than copies.
- e. Testimonial evidence obtained under conditions where persons may speak freely is more credible than testimonial evidence obtained under compromising conditions, e.g., where the persons may be intimidated.

### 2. Relevance

Relevance refers to the relationship of evidence to its use. The information used to prove or disprove an issue must have a logical, sensible relationship to that issue.

### 3. Sufficiency

Sufficiency is the presence of enough factual, adequate, and convincing evidence to lead a user of the report to the same conclusion as the report's. Determining the sufficiency of evidence requires judgment. When appropriate, statistical methods may be used to establish sufficiency.

# Appendix X.3 Subpoena Procedures

## A. Authority

Section 2-151 (l) (2) of the Montgomery County Code empowers the Office of Inspector General to require by subpoena any person to appear under oath as a witness or produce any record or other material in connection with an audit or investigation under this Section. Any subpoena issued under this Section may be enforced in any court with jurisdiction.

## B. Records Subject to Subpoena

Generally, this subpoena authority applies to any document or other information concerning the operations, budget, or programs of a department or office in County government or an independent County agency.

## C. Policy on Use of Subpoenas

Under normal procedures, if records or other material are available under the audit clause of a contract, or if an individual has a contractual obligation to provide certain information, auditors/investigators shall first attempt to obtain such information by reference to such authority. A subpoena will not be issued by the Inspector General until such information obtainable by other means has been examined and analyzed. This enables the Inspector General to define with particularity those records or other material needed to complement available information.

If the recipient seeks to quash the subpoena, the Inspector General will be able to demonstrate that the requested records or other material cannot be obtained under normal procedures.

Normally, the issuance of a subpoena should be considered at an early stage of an audit/investigation. Such early review can help significantly in determining the appropriateness of a subpoena, in reviewing alternative means of acquiring needed records or other material, in limiting such subpoena to information which is relevant, specifically designated, and admissible, and in framing and processing the subpoena itself.

## D. Procedures for Issuing a Subpoena

Written requests by auditors/investigators for issuance of a subpoena shall contain the following information:

### 1. Background of Subject Matter Under Audit/Investigation

This section of the request shall set forth a concise history of the audit/investigation to date. It shall include the authority of the audit/investigation, an identification of the contracts and individuals involved, the ultimate goals of the audit/investigation, and a summary of the audit/investigation completed to date.

### 2. Justification for Subpoena Request

This section of the request shall describe the records or other materials sought by subpoena and explain why such information cannot be obtained by other means. Any lack of cooperation by the party under audit/investigation or the custodian of desired records or other materials shall be discussed. The request shall specify the particular audit or investigative goals that will be furthered by the subpoena.

In requiring the production of records or other material by subpoena, the Inspector General is not required to determine that there is probable cause to believe that a violation of a criminal or civil statute or administrative regulation has been committed or that the information sought constitutes evidence of such violation. Instead, it need only be determined that the

# Subpoena Procedures

record or other material sought is reasonably necessary to further appropriate auditing, investigative, or related activities of the Office of Inspector General.

### 3. Identification of Recipient of Subpoena

If the record or other material is to be obtained from a corporation, a corporate officer, appropriate regional official, or custodian of such information of the corporation shall be the named recipient. A subpoena of partnership records or other material shall be directed to a partner. A subpoena for such information of a financial institution shall be directed to the custodian of the records. If such information is sought from a state, county, or municipal agency, the head of the agency shall be specified as the named recipient.

### 4. Description of Requested Information

This section of a request for subpoena shall describe as precisely as possible the record or other material to be obtained by subpoena. While individual documents need not be identified, the requested information shall be divided into reasonable categories, e.g., telephone, telefacsimilies, and e-mail records, day-timer records, payroll records, payment invoices, bank statements, or income tax returns.

The records or other material shall be identified as completely as possible by date and party.

Consideration shall be given to the use of “including but not limited to...” language in the subpoena to assure that either specifically known records or other relevant material (that may not be individually known or identifiable) may be obtained.

### 5. Time and Place for Return of Service

A location shall be specified in the subpoena for return of service. That location should be at the Office of the Inspector General or within reasonable location of the requested information. In unusual circumstances, e.g., involving voluminous documents, arrangements may be made to allow a return on the premises of the recipient of the subpoena.

## E. Approval and Processing of Subpoenas

A subpoena request shall be reviewed by the Inspector General for completeness, legality and validity and shall be issued only upon approval and signature of the Inspector General. Such document shall include necessary statutory authorization, specification of records or other material being requested, attachments/appendices describing the documents sought, appropriate correspondence, and staff memoranda, if any, recommending approval of the subpoena by the Inspector General. A specific date and time for return of service shall be included.

## F. Service of Subpoena

The Inspector General shall determine the most appropriate method for service to be accomplished, e.g., by personal service at the corporate location, private dwelling or government office; or by registered or certified mail or other means. If personal service is chosen, the subpoena shall be delivered, with attachments, to the addressee as expeditiously as possible.

If service is effected by mail, the subpoena and attachments shall be mailed to the recipient via certified mail, return receipt, restricted delivery. If service is to be made upon a corporation or a government office, it should be delivered during business hours and to the addressee. If a corporate addressee is unavailable, delivery to a corporate officer or registered agent for service of process will suffice.

# Subpoena Procedures

## **G. Return of Service**

The date for compliance with the subpoena shall be within a reasonable time after the date of service. Prior to the date of return, the auditor/investigator may be asked to examine the record or other material upon the premises of the recipient to verify the existence and volume of the information requested. On the designated date and time for return, the requested records or other material shall be delivered to the Office of Inspector General. The delivering party shall be given a receipt for all records and other material delivered.

The auditor/investigator should be prepared to receive such delivery on the designated date and have adequate personnel resources available to begin a complete examination of the submittal. While no precise time limit can be set for the completion of the examination of the submittal, the auditor/investigator shall proceed as expeditiously as possible to complete such analysis.

Original records or other material shall be obtained unless the subpoenaed party can effectively demonstrate that the delivery and absence of the original information will act as a major impediment to the operation of his or her office or business activity. In that case, the subpoenaed party may provide certified copies in lieu of originals; however, the original records or other material must be made available for verification, if requested.

## **H. Return Proceedings and Subsequent Questioning**

In many instances, the delivery of the subpoenaed information is a relatively simple matter. The submittal should include a certification of the subpoenaed party's capacity to certify the documents and a sworn statement indicating that the information is accurate, complete and in full compliance with the subpoena.

If the auditor/investigator finds that the submittal is not complete or in full compliance with the subpoena, a subpoena return proceeding shall be convened and the subpoenaed party will be placed under oath and questioned. All such questions will be recorded by stenographic reporter, on tape, or by other means. Such questions shall be limited to an inquiry as to the accuracy, validity and completeness of the submitted records or other material. On completion of such examination, the record or tape will be transcribed and retained by the Office of Inspector General.

In questioning the subpoenaed party, the examination format should establish that (1) such party is an official employed to certify the records; (2) the records or other material are kept in the normal course of business; and (3) such information is complete and unaltered and constitutes full compliance with the subpoena. In the alternative, there shall be specified areas in which compliance has not been completed.

The subpoenaed party has the right to be represented by an attorney at the subpoena return proceeding. However, the OIG auditor/investigator has the responsibility of ensuring that the subpoena has been complied with in full. Any objection by the attorney to any question concerning subpoena compliance will be noted in the record. If the party refuses to answer any question a similar notation will be made in the record.

## **I. Handling of Records or Other Material**

Upon receipt, subpoenaed records or other material will be marked individually or by category, assigned an exhibit number, and indexed, preferably in the presence of the subpoenaed party. It is necessary that an accurate record is compiled of the records or other material received.

In utilizing subpoenaed records or other materials, evidentiary control shall be maintained over all such information.

# Subpoena Procedures

Access to the materials shall be carefully controlled in accordance with standard evidentiary custodial procedures. Upon completion of the examination of the submitted records or other materials, the Inspector General shall determine which information shall be kept for later use, and which information may be returned to the subpoenaed party. A receipt shall be obtained for all information returned to the subpoenaed party.

## **J. Subpoena for Testimony**

The Montgomery County Code empowers the Inspector General to issue a subpoena requiring the attendance and testimony of witnesses on pending audits, investigations, and related activity.

## **K. Failure to Comply**

When a subpoenaed party refuses to comply, fails to appear, or fails to provide records or other material as required by the subpoena, the Inspector General may initiate subpoena enforcement actions in any court with jurisdiction.

## Appendix X.4 Interview Preparation and Follow Up

### INTERVIEW PREPARATION AND FOLLOW-UP

1. Before scheduling an interview, write a list of possible questions. Questions can be deleted from this list or added to it, before or during any interview.
2. In the case of an audit or inspection, send the questions to the appropriate person, and ask for answers in writing. Indicate that there may be more written questions and/or an interview, for clarification, follow-up, or if additional information is needed. After reviewing the written answers, schedule an interview and/or send more questions, as needed.
3. Before an investigation interview, we may send some questions to the interviewee, if we indicate that these are possible questions, and that there will likely be others. It may be useful to send questions that the interviewee might need to consult records to answer.
4. Prior to beginning the interview, provide to the interviewee a written notice stating the goals, powers and duties of the Inspector General and a warning of the interviewee's obligations under Montgomery county Code, 2-151.
5. When appropriate, include in the notice a statement warning interviewees that, notwithstanding their obligations under Code Section 2-151, they have a privilege under the law to refuse to make any disclosure that might incriminate them.
6. If no court reporter or transcriber is present, provide written notice that the interview will be recorded, audio and or audio/visual. Obtain the interviewee's signature on the warning notice.
7. During any interview, take thorough notes. Ask any questions from the list, or as needed for follow-up or otherwise.
8. After the interview, unless the interview has been recorded, draft a list of the questions asked at the interview and the interviewee's answers. Send this list to the interviewee and ask the interviewee to make any corrections and to indicate in writing that the answers are correct.

# Appendix X.5 Complaint Intake and Processing



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

Intake Dated:    Intake Number:  
 , 2013    **OIG – 13 – 0**

## Complaint Intake and Processing

### Source of Complaint:

- MCOIG Hotline
- Telephone discussion
- Voice Mail on MCOIG office telephone
- Referral from MCG source            (specify) \_\_\_\_\_
- Personal visit to OIG
- e-mail to OIG
- Mail

### Nature of Complaint or Allegation:

### Reviewer Determination:

- Potential violation of law, regulation or rule
- Potential misconduct by County official or entity
- Misdirected complaint: within purview of a different entity            (specify) \_\_\_\_\_
- Complaint provides no indication of potential violation of law, regulation, or rule
- Non-investigative issue

### Proposed Action:

- Matter does not warrant MCOIG action
- Open recommendation for audit:             Current docket             Place in OIG Parking Lot
- Watch List
- Open preliminary inquiry (potential violation or official misconduct)
- Open investigation (evidence of potential violation or official misconduct)            :
- Refer to Management for information only, no response required.
- Refer to Management for internal review, response to IG required within  Referred to: \_\_\_\_\_
- 60 days     unspecified     Response received regarding resolution of complaint, dated: \_\_\_\_\_

Signature: Reviewing/Recommending Official \_\_\_\_\_

\_\_\_\_\_ Date

Signature: Approving Official \_\_\_\_\_

\_\_\_\_\_ Date

### Disposition:

- Documents supporting this complaint were destroyed by shredding pursuant to OIG Policy to safeguard the identity of confidential sources, to protect privileged and confidential information, and/or because there are more recently produced project documents that are representative of OIG work.

# MCOIG HOTLINE



240-777-7OIG (7644)  
[reportfraud@montgomerycountymd.gov](mailto:reportfraud@montgomerycountymd.gov)

Report Fraud, Waste or Abuse  
Call the OIG Hotline at  
240 777 7644

or e-mail  
[report.fraud@montgomerycountymd.gov](mailto:report.fraud@montgomerycountymd.gov)



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