Audit Committee #1, #2
October 16, 2014
Briefing

MEMORANDUM

October 13, 2014

TO: Audit Committee

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

SUBJECT: Updates from the Office of the Inspector General and the Office of Internal Audit

On October 16th, the Audit Committee will receive briefings from the Office of the Inspector General and the Office of Internal Audit about their ongoing activities and reports. The participants expected to attend the worksession and the location of the supporting materials for each item are listed below.

Item #	Topic/Representatives	Materials on © page
1	**An update from the Office of the Inspector General** • Edward L. Blansitt III, Inspector General, Office of the Inspector General (OIG)	©1-6
2	**An update from the Office of Internal Audit** • Fariba Kassiri, ACAO	©7

ITEM #1: UPDATE FROM THE INSPECTOR GENERAL

The Inspector General, Edward L. Blansitt III, will update the Committee on the activities of the Office. Mr. Blansitt provided a handout, attached beginning at ©1, that summarizes the highlights of his presentation, including a review of the Office's FY14 Annual Report and a review of FY15 activity to date. See the link or the OIG website for a copy of the FY14 Annual Report, which was released on September 30, 2014. (http://www.montgomerycountymd.gov/OIG/Resources/Files/PDF/oig_annual_report_fy_2014.pdf.)

ITEM #2: UPDATE FROM THE OFFICE OF INTERNAL AUDIT

Assistant Chief Administrative Officer Fariba Kassiri will update the Committee on the activities of the Office of Internal Audit. Ms. Kassiri provided a summary of the Office's audit activities, attached beginning at ©7.

MCIA has released six reports since they were last before the Audit Committee in July 2014 (DLC Inventory Management; Continuity of Operations Planning; United Health Care Claims; DOCR Inmate Funds; Recreation Contract Monitoring; and Wage Law Compliance: Potomac Disposal) and there are 13 ongoing audits. See the MCIA website (http://www.montgomerycountymd.gov/exec/internal_audit.html) for copies of these reports.

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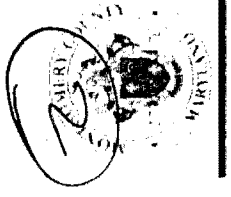
Update - Office of the Inspector General

Montgomery County Council Audit Committee, October 16, 2014

Topics of Discussion

- FY 2014 Annual Report Issued
- FY 2015 Work Plan Update & Review of Activity



Update to the Montgomery County Council Audit Committee - October 16, 2014

2014 Annual Report issued

Annual report for the fiscal year ended June 30, 2014

Describes our efforts relative to the three work plan initiatives:

(1) data analytics use

(2) contract subject matter experts use

(3) leverage resources.

Identifies four organizational improvements completed:

(1) follow-up survey of County employee attitudes toward the OIG

(2) Office Policy Manual on policies and practices that are unique to OIG

(3) an internal quality control review of our OIG

(4) implementation of an OIG summer legal intern program.

Summarizes seven reports completed and made publicly available

Summarizes eighteen of the preliminary inquiries and referrals closed in FY 2014

Update to the Montgomery County Council Audit Committee - October 16, 2014

FY 2014 Activity at a Glance

Complaints - 76

Source:

7 OIG Hotline
18 other telephone calls
42 mail & e-mail
6 walk-ins
3 referrals

Nature:

27 Potential violation of law, regulation, or rule
5 Potential misconduct by County official or entity
19 Misdirected complaints
25 Investigation not warranted

Prior Year Carryover

Inventory:

1 Preliminary Inquiry
4 Reports in Progress
6 Parking Lot
1 Watch List

Dismissed
35

Preliminary Inquiry
37

Preliminary Inquiries

Processed in FY14: 29

Inventory:

10 Opened in current year *(includes two DLC inquiries that generated FY14 reports)*
1 carry over from prior year

Reports
5
(two DLC inquiries remain open)

Closed
5

Referred
12

Future Scheduling
7

Moved to Watch List
4

Reports Issued in FY 14 - 7

Originating in FY 2014:

Inspection: DLC - One-Day Alcoholic Beverage Licenses
Inspection: DLC - Management Controls Over Inspectors
Advisory: OHR & DOF - Employee Leave Balances

Originating in FY 2013:

Inspection: DGS - Silver Spring Transit Center
Inquiry: DED - Bethesda Cultural Alliance
Inquiry: Office of Consumer Protection
Review: MCPS - Acquisition of Interactive Technology Systems

Reports in Progress - 2

Investigation: Conduct of Public Employee at County Agency.
Investigation: DOT – Fleet Management & Inspection

Parking Lot - 13

Inventory:

7 Opened in current year
6 carry over from prior year

Watch List - 5

Inventory:

4 Opened in current year
1 carry over from prior year

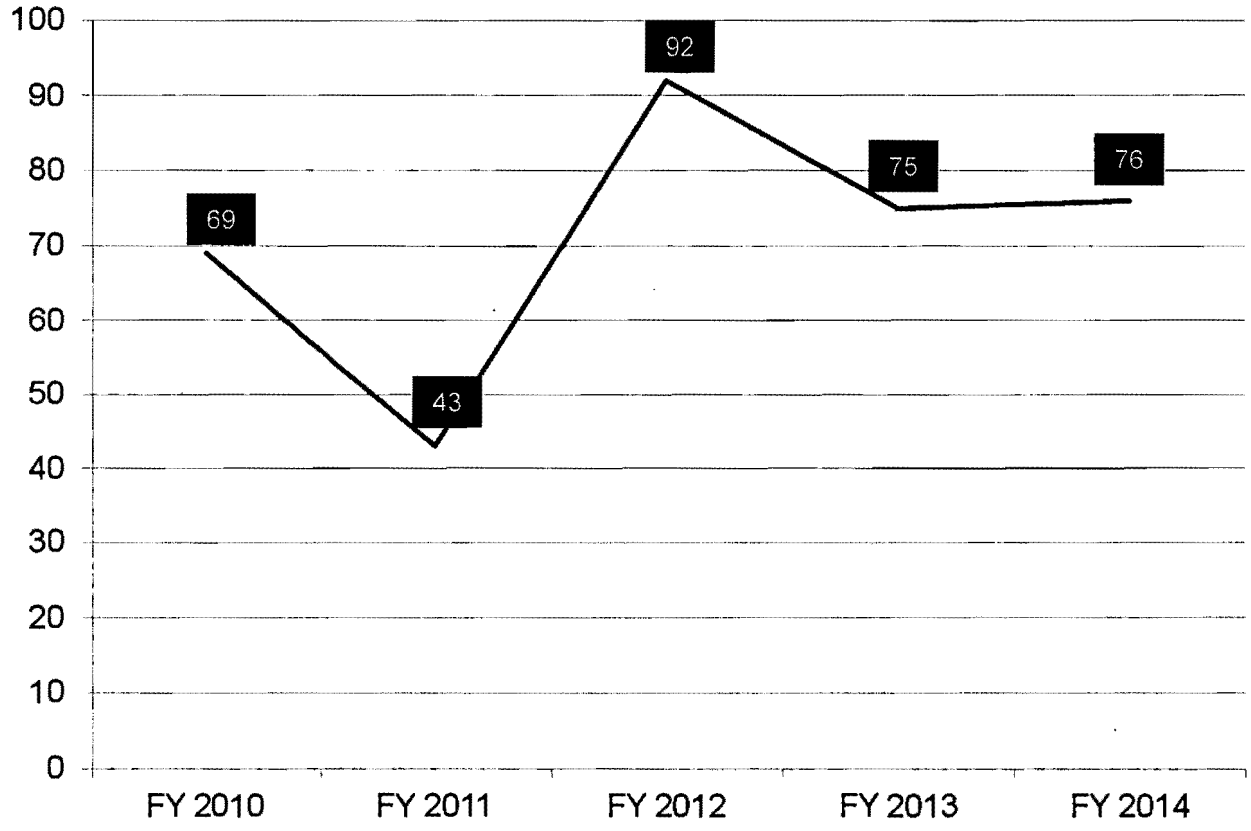
Update to the Montgomery County Council Audit Committee - October 16, 2014

FY 2014 MCOIG Issues Handled with Other Entities

- Total issues handled with Other Entities (104)
  - Legislative Offices (4)
    - County Council (3)
    - Office of Legislative Oversight
  - Executive Offices (76)
    - Police (13)
    - Finance (8)
    - Health & Human Services (7)
    - Transportation (7)
    - Consumer Protection (5)
    - Ethics Commission (5)
    - Housing & Community Affairs (5)
    - General Services (4)
    - Environmental Protection (3)
    - Fire & Rescue Services (3)
    - Liquor Control (3)
    - Permitting Services (3)
    - Technology Services (3)
    - County Executive's Office (2)
    - Human Resources (2)
    - Economic Development (1)
    - Human Rights (1)
    - Public Information (1)
  - Judicial Offices (6)
    - State's Attorney (4)
    - Sheriff's Office (1)
  - County Agencies (9)
    - Housing Opportunities Commission (4)
    - Montgomery County Public Schools (4)
    - Washington Suburban Sanitary Commission (1)
  - Other Federal, State, & Local Jurisdictions (9)
    - Federal Offices of Inspector General (3)
    - MD Dept. of Assessments & Taxation (2)
    - Federal Bureau of Investigation (1)
    - MD State's Prosecutor (1)
    - MD Dept. of Health & Human Services (1)
    - Fairfax County, VA (1)
    - Baltimore County, MD (1)

Update to the Montgomery County Council Audit Committee - October 16, 2014

MCOIG Multi-year Incident Reports



Update to the Montgomery County Council Audit Committee - October 16, 2014

FY 2015 Activity

Reports Issued to date

Final Report: *Implementation of IG Recommendations for Procurement and Payment Training* issued (October 10, 2014) in follow-up of recommendations on FY 2011 report on Procurement and Payment Practices for Selected Contracts.

Work in Progress

Conduct of Public employee at County Agency	Confidential discussion draft issued to agency
Sick leave abuse	Final draft issued awaiting formal comments
Maintenance and inspections compliance	Confidential discussion draft issued
Purchase card and small purchases controls	Fieldwork in progress
Department of Liquor Control	Fieldwork in progress
Impact of standards and specifications on limiting competition in procurements	In survey stage

Ongoing Activity

New complaints =**23**
Preliminary Inquiries & Referrals in progress= **9**

Office of the County Executive
Office of Internal Audit Status Report to the Audit Committee
October 2014

New Audit Reports Issued Since Last Office of Internal Audit Appearance before the Audit Committee in July 2014: All issued reports are on: http://www.montgomerycountymd.gov/exec/internal_audit.html

1. DLC Inventory Management
2. COOP
3. UHC Health Claims
4. DOCR Inmate Funds
5. Recreation Contract Monitoring
6. Wage Law Compliance: Potomac Disposal

Ongoing Audits (13)

- **Police Cash Receipts** ***(identified as medium risk in County-wide Risk Assessment)*****:** This audit which was requested by MCPD is aimed at assisting the department upgrade its controls over cash receipts. The department is in the process of upgrading systems and controls at all of its locations that process cash and credit card payments. The audit is assessing MCPD's efforts and is evaluating the new cash receipts system. Expected issue date is November 2014.
- **Miscellaneous Cash Receipts** ***(identified as high to medium risk in County-wide Risk Assessment)*****:** At the request of the Director, Department of Finance we are identifying and assessing the policies and procedures of departments' receipts from cash and credit cards to better ensure funds are properly safeguarded, deposited and recorded. The review involves developing and executing a detailed on-line questionnaire to be sent to all executive and judicial branch departments and major offices. Based on the questionnaire results and follow up interviews we will prepare an inventory along with a risk assessment of each department or office's funding source and corresponding procedures. We plan to issue a report in November 2014.
- **Contract and Grant Monitoring at 3 Departments** ***(identified as high-medium risk in County-wide Risk Assessment)*****:** This audit is a continuation of our efforts to evaluate contract and grant monitoring by County departments. We will review and test the effectiveness of contract and grant monitoring policies and procedures followed by three County departments-- **Economic Development, Recreation, and Housing and Community Affairs.** The audit will seek to determine whether contractor performance is contractually compliant, being effectively tracked, contract changes and extensions are being properly managed, and invoices are properly reviewed before payment. The audit will include reviewing monitoring by departments for both program performance and financial accountability. We issued reports on DED and Recreation; we expect to issue Housing in October.
- **Wage Law Compliance Unity Disposal and Recycling** ***(required by law)***: This audit was requested by DGS and will ascertain whether the Unity has been complying with the Wage Law. We expect to issue a report in November 2014.
- **Supplies and Equipment—planning phase** ***(identified as medium risk in County-wide Risk Assessment)*****:** The planning phase of this audit is reviewing internal controls over security of and accounting for supplies and equipment (S&E) held by major departments and determine the accuracy of reporting of S&E in the comprehensive annual financial report (CAFR). The implementation phase is targeted to begin in November.

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- **Conference Center Financial Analysis** ***(area not in the County-wide Risk Assessment)*****:** The audit which was requested by DED, is examining various FY 2013 financial transactions and policies of Marriott to ensure that the County's interests are being protected. It started in June 2014 and is scheduled to be completed by November 2014.
- **Treasury Follow Up** ***(identified as high risk in County-wide Risk Assessment)*****:** This audit will assess the adequacy of corrective actions that Treasury/Finance has taken in response to recommendations in a 2009 Internal Audit risk assessment, and also report on any other internal control weaknesses observed during this follow up engagement that need corrective action. The audit is scheduled to be completed in November 2014.
- **IT Risk Assessment—planning phase** ***(identified as high to medium risk in County-wide Risk Assessment)*****:** In response to recent disclosures by the national press and industry sources that any large organization's most crucial IT systems may be vulnerable to unauthorized access by persons wishing to do harm, DTS requested that we immediately begun a high-level risk assessment (RA) audit of the County's estimated 600 IT systems. The urgency of the audit is increased due to the fact that various County systems contain Public Health Information (PHI) or other sensitive information that must be carefully safeguarded. The RA audit is being performed in two phases—a planning and implementation phase. The first phase started in June 2014 and the second phase is targeted to begin in November. The specific objectives of the RA are to: (1) Identify information-related vulnerabilities including potential data privacy and security compliance issues. We plan to group the County's systems into tiers based on risk. We will also advise the County if the RA identifies any critical risks that require immediate attention by the County. (2) Recommend a penetration testing and remediation strategy along with a timeline for the County based on risk, budget, and any other factors deemed appropriate. (3) Develop cost range estimates for carrying out the penetration testing strategy, with emphasis on those systems placed in the highest risk tier.