

GO COMMITTEE #5
May 2, 2016

Worksession

MEMORANDUM

April 28, 2016

TO: Government Operations and Fiscal Policy Committee
FROM: ^{JCA} Jean C. Arthur, Legislative Analyst
SUBJECT: **FY17 Operating Budget: Office of the Inspector General**

Those expected to attend this worksession include:
Edward Blansitt, Inspector General
Jennifer Nordin, OMB

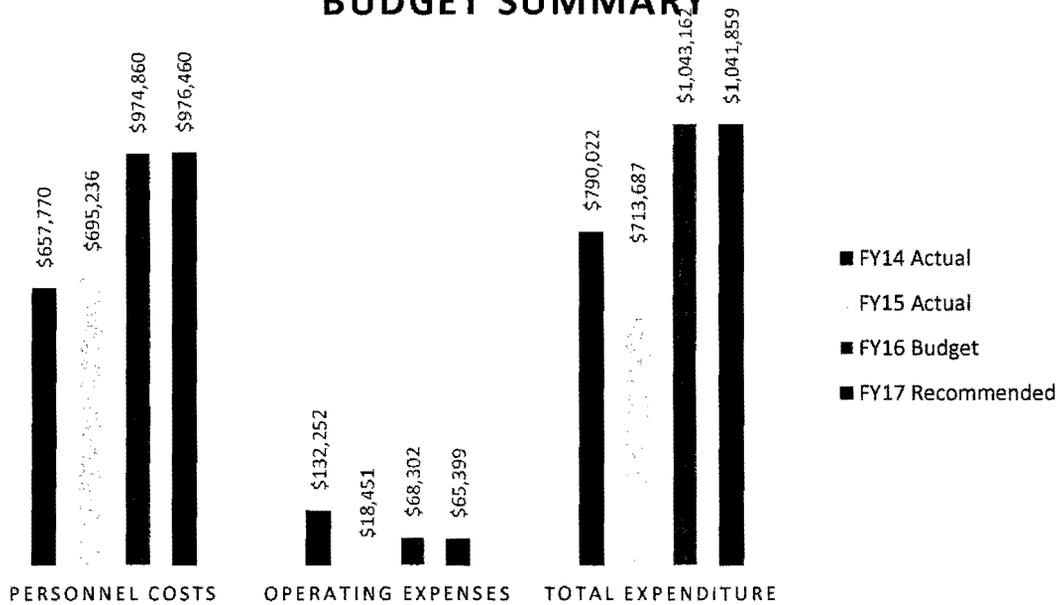
Relevant pages from the FY16 Recommended Operating Budget are attached on ©1-3.

- **Budget Summary:** The County Executive recommends a decrease of 0.12 percent in the FY17 budget for OIG. The decrease is due in part to adjustments for telecommunications and retirement costs made to all departments.
- **Council Staff Recommendation:** Staff recommends approval as submitted by the County Executive

Overview

For FY17, the County Executive recommends a total of \$1,041,859, a decrease of \$1,303 or 0.12 percent from the FY16 approved budget of \$1,043,162. The recommended budget funds six full-time positions and seven FTEs.

BUDGET SUMMARY



| | <i>FY15 Actual</i> | <i>FY16 Approved</i> | <i>FY17 Recommended</i> | <i>% Change FY16 - FY17</i> |
|------------------------------------|--------------------|----------------------|-------------------------|-----------------------------|
| <i>Expenditures by fund</i> | | | | |
| General Fund | \$713,687 | \$1,043,162 | \$1,041,859 | -0.1% |
| <i>Expenditures by type</i> | | | | |
| Personnel Cost | \$695,236 | \$974,860 | \$976,460 | 0.2% |
| Operating Expenses | \$18,451 | \$68,302 | \$65,399 | -4.3% |
| <i>Total Expenditures</i> | \$713,687 | \$1,043,162 | \$1,041,859 | -0.1% |
| <i>Positions</i> | | | | |
| Full-Time | 5 | 6 | 6 | - |
| Part-Time | 0 | 0 | 0 | - |
| <i>FTEs</i> | 5 | 7¹ | 7¹ | - |

¹One FTE is a pooled position; a group position which is counted as an FTE, but is not either a full-time or a part-time position.

Peer Review

Montgomery County Code §2-151 requires the Office of the Inspector General, in each project, to “uphold the objective of complying with applicable generally accepted government auditing standards.” To meet this requirement, OIG undergoes an external peer review at least once every three years.

The most recent external peer review was conducted by the Association of Inspectors General in September 2015. The Peer Review Team unanimously concluded that the Montgomery County Office of the Inspector General met relevant standards for the period under review. The PRT’s report is at circles 4-7.

FY16 Office of the Inspector General Reports

| | |
|-------------------|--|
| March 16, 2016 | Purchase Card Policies and Procedures of the Montgomery County Government and Independent County Agencies Capstone Report: OIG Report #16-008 |
| March 14, 2016 | Purchase Card Policies and Procedures of the Montgomery County Government Final Report: OIG Report #16-007 |
| February 25, 2016 | Purchase Card Policies and Procedures of the Montgomery County Public Schools Final Report: OIG Report #16-006 |
| February 2, 2016 | Purchase Card Policies and Procedures of the Housing Opportunities Commission of Montgomery County Final Report: OIG Report #16-005 |
| January 28, 2016 | Purchase Card Policies and Procedures of the Montgomery College Final Report: OIG Report #16-004 |
| January 21, 2016 | Purchase Card Policies and Procedures of the Washington Suburban Sanitary Commission Final Report: OIG Report #16-003 |
| January 20, 2016 | Purchase Card Policies and Procedures of the Montgomery County Revenue Authority Final Report: OIG Report #16-002 |
| January 7, 2016 | Purchase Card Policies and Procedures of the Maryland-National Capital Park and Planning Commission Final Report: OIG Report #16-001 |

Montgomery College Alumni Magazine
November 20, 2015 Preliminary Inquiry Memorandum #16-001

Office of the Inspector General
August 11, 2015 Fiscal Year 2015 Annual Report & Mid-Term Report of
Activity for the two Fiscal Years ended June 30, 2015

The initial pages of this report are attached on circles 8-12.

Work Plan

The OIG's specific planned audits and investigations in FY16 and FY17 include:

FY 2016:

- Selected payments, possible improper payments, and related controls.
- Selected contract awards and oversight.
- Analyses of selected financial and non-financial data.
- Selected administrative processes.

FY 2017:

- Selected reviews of housing and social programs.
- Implementation of technology initiatives.
- Analyses of selected financial and non-financial data.
- Selected administrative processes.

The OIG's FY14 – FY17 work plan is attached on circles 13-20.

Staffing Projection

The OIG submitted its four-year work plan to the Council in October 2013. The plan projects that the OIG will need at least 5 staff years to accomplish the tasks outlined in the plan. The recommended budget includes that staffing.



Inspector General

Mission Statement

The mission of the Office of Inspector General (OIG) is to promote the effectiveness and efficiency of programs and operations 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 and County-funded agencies.

Budget Overview

The total recommended FY17 Operating Budget for the Office of Inspector General is \$1,041,859, a decrease of \$1,303 or 0.12 percent from the FY16 Approved Budget of \$1,043,162. Personnel Costs comprise 93.72 percent of the budget for six full-time position(s) and no part-time position(s), and a total of 7.00 FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 6.28 percent of the FY17 budget.

Linkage to County Result Areas

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ❖ A Responsive, Accountable County Government
- ❖ Strong and Vibrant Economy
- ❖ Vital Living for All of Our Residents

Department Performance Measures

Performance measures for this department are included below (where applicable). The FY16 estimates reflect funding based on the FY16 approved budget. The FY17 and FY18 figures are performance targets based on the FY17 recommended budget and funding for comparable service levels in FY18.

| Measure | Actual FY14 | Actual FY15 | Estimated FY16 | Target FY17 | Target FY18 |
|---|-------------|-------------|----------------|-------------|-------------|
| Program Measures | | | | | |
| Percent of recommendations accepted | 86% | 100% | 90% | 90% | 90% |
| Percent of complaints reviewed and action initiated within 5 business days | 100% | 94% | 90% | 90% | 90% |
| Percent of initial inquiries (with no reports or memo) completed within 60 days | 85% | 86% | 70% | 70% | 70% |
| Percent of incident reports resolved or referred to management within 90 days | 96% | 95% | 70% | 70% | 70% |
| Percent of audit/inspection/investigation reports completed within 180 days | 43% | 55% | 50% | 50% | 50% |

Accomplishments

- ✓ The October 2014 report on Sick Leave Usage identified sick leave abuse by retiring members of the Montgomery County Fire and Rescue Service (MCFRS). In response to these findings, the County is improving accountability and enforcement of sick leave policies at MCFRS.
- ✓ In collaboration with the Montgomery County Ethics Commission, the December 2014 report on Allegations of Misconduct by Certain Commissioners of the Montgomery Housing Opportunities Commission (HOC) identified conflict of interest issues.
- ✓ The February 2015 report on the Water Quality Protection Charge identified ambiguities in the regulations governing the program.

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Program Contacts

Contact Ed Blansitt of the Office of Inspector General at 240.777.8241 or Jennifer A. Nordin of the Office of Management and Budget at 240.777.2779 for more information regarding this department's operating budget.

Program Descriptions

Inspector General

The Inspector General conducts independent audits, reviews, and investigations; receives and investigates credible complaints; reports possible violations of the law to law enforcement or another appropriate organization; notifies the County Council and Executive of serious problems in programs; reviews legislation and regulations to strengthen controls and increase accountability; and submits reports with recommendations to appropriate officials. The Inspector General periodically conducts projects jointly with other government agencies and contractors.

Budget Summary

| | Actual FY15 | Budget FY16 | Estimate FY16 | REC FY17 | %Chg Bud/Rec |
|--|----------------|------------------|------------------|------------------|-----------------|
| COUNTY GENERAL FUND | | | | | |
| EXPENDITURES | | | | | |
| Salaries and Wages | 574,639 | 818,464 | 751,884 | 804,437 | -1.7 % |
| Employee Benefits | 120,597 | 156,396 | 135,818 | 172,023 | 10.0 % |
| County General Fund Personnel Costs | 695,236 | 974,860 | 887,702 | 976,460 | 0.2 % |
| Operating Expenses | 18,451 | 68,302 | 89,334 | 65,399 | -4.3 % |
| County General Fund Expenditures | 713,687 | 1,043,162 | 977,036 | 1,041,859 | -0.1 % |
| PERSONNEL | | | | | |
| Full-Time | 4 | 6 | 6 | 6 | — |
| Part-Time | 0 | 0 | 0 | 0 | — |
| FTEs | 5.00 | 7.00 | 7.00 | 7.00 | — |

FY17 Recommended Changes

| | Expenditures | FTEs |
|--|------------------|-------------|
| COUNTY GENERAL FUND | | |
| FY16 ORIGINAL APPROPRIATION | 1,043,162 | 7.00 |
| <u>Other Adjustments (with no service impacts)</u> | | |
| Increase Cost: FY17 Compensation Adjustment | 13,129 | 0.00 |
| Increase Cost: Group Insurance Adjustment | 3,750 | 0.00 |
| Increase Cost: Printing and Mail | 97 | 0.00 |
| Decrease Cost: Retirement Adjustment | (1,340) | 0.00 |
| Shift: Telecommunications to the Telecommunications Non-Departmental Account | (3,000) | 0.00 |
| Decrease Cost: Annualization of FY16 Personnel Costs | (13,939) | 0.00 |
| FY17 RECOMMENDED | 1,041,859 | 7.00 |

Future Fiscal Impacts

| Title | CE RECOMMENDED (\$000s) | | | | | |
|----------------------------|-------------------------|------|------|------|------|------|
| | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 |
| COUNTY GENERAL FUND | | | | | | |
| EXPENDITURES | | | | | | |

| Title | CE RECOMMENDED (\$000s) | | | | | |
|--|-------------------------|--------------|--------------|--------------|--------------|--------------|
| | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 |
| FY17 Recommended | 1,042 | 1,042 | 1,042 | 1,042 | 1,042 | 1,042 |
| No inflation or compensation change is included in outyear projections. | | | | | | |
| Labor Contracts | 0 | 14 | 14 | 14 | 14 | 14 |
| These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items. | | | | | | |
| Subtotal Expenditures | 1,042 | 1,055 | 1,055 | 1,055 | 1,055 | 1,055 |



OFFICE OF THE INSPECTOR GENERAL

MEMORANDUM

October 19, 2015

TO: Hon. George Leventhal
Council President

Hon. Isiah Leggett
County Executive

FROM: Edward L. Blansitt III
Inspector General

SUBJECT: Peer Review Report

As you may know, County Code Section 2-151 states that the Office of the Inspector General (OIG), in each project of the office, should “uphold the objective of complying with applicable generally accepted government auditing standards”. These standards require that the OIG secure an external Peer Review at least once every three years.

Per the standards, a Peer Review team should have knowledge of generally accepted government auditing standards and government auditing; be independent of the audit organization being reviewed; and have sufficient knowledge of how to perform a Peer Review. The OIG arranged with the Association of Inspectors General (AIG) to obtain a Peer Review in 2015. The report of an independent team of AIG Peer Reviewers accompanies this memorandum.

The Peer Review team assessed the OIG’s compliance with the Association of Inspectors General *Principles and Standards for Offices of Inspector General*; the United States Government Accountability Office *Government Auditing Standards*; and the standards set by the Council of Inspectors General on Integrity and Efficiency.

The report concludes that the OIG met relevant standards, without qualification, for the period under review.

cc: County Council Members
Timothy L. Firestine, Chief Administrative Officer
Stephen B. Farber, Council Administrator



**Association of Inspectors General
524 West 59th Street, 3532N
New York, New York 10018**

October 16, 2015

Edward L. Blansitt III, Inspector General
Montgomery County Office of the Inspector General
51 Monroe Street, Suite 802
Rockville, Maryland 20850

Dear Inspector General Blansitt:

The Association of Inspectors General (AIG) at your request performed a Peer Review of the Montgomery County Office of the Inspector General (MCOIG) Audits, Investigations and Inspections operations. The Peer Review Team (PRT) evaluated the work of MCOIG covering the last three years (Fiscal Years 2013, 2014, and 2015). The PRT performed the review during the week of September 29, 2015, at your office 51 Monroe Street, Suite 802, Rockville, Maryland. The Peer Review assessed the work of the MCOIG for compliance with the Association of Inspectors General (AIG) *Principles and Standards for Offices of Inspector General*, the United States General Accountability Office (GAO) *Government Auditing Standards*, and the standards set by the Council of Inspectors General on Integrity and Efficiency (CIGIE). These standards are consistent with the qualitative standards under which your office has operated throughout the review period.

The PRT consisted of the following individuals:

Hector Collazo Jr., Inspector General/CAE
Division of Inspector General, Pinellas County Florida
PRT Leader, AIG Peer Review for MCOIG, June 2015
Chair, Peer Review Committee and Executive Board Member
Association of Inspectors General

Jody Maxwell, Senior Internal Auditor/Investigator
Internal Audit Department and Office of the Inspector General Sarasota County Florida

Glenda B. Arrington, Inspector General
Department of Defense, Washington, D.C.

It is the unanimous conclusion of the PRT that your office met relevant standards for the period under review. There are no qualifications on our opinion.

The remainder of this letter sets forth the purpose, scope, and methodology of the Peer Review.

Purpose

The PRT conducted an independent, qualitative review of the MCOIG operations focusing on compliance with agreed-upon AIG, GAO and CIGIE standards.

Scope

The Peer Review covered MCOIG operations, resulting work products, and related file materials chosen from closed investigations and completed audits and inspections for Fiscal Years 2013, 2014, and 2015. The Peer Review's scope also covered MCOIGs' compliance with their relevant policy and process manuals and procedural guides; staff qualifications; and professional training requirements. Lastly, the Peer Review assessed supervisory review and quality control over the work product, reporting of results, and the MCOIG's relationship and communications with outside agencies. The PRT met with external stakeholders with whom the MCOIG frequently work, or who are the recipients of the MCOIG's work products.

Method

The PRT generally followed the Peer Review/Qualitative Assessment Review of MCOIG, based on the AIG, GAO and CIGIE standards. The PRT also called upon their own professional experience as senior managers of various Offices of Inspectors General and through their knowledge of and familiarity with best practices within the Inspector General community.

Prior to the actual on-site review, the PRT requested information from MCOIG, including but not limited to policy and procedures manuals, closed case logs, a list of issued reports, and a list of external stakeholders. The PRT used this information to select the work products and related case materials that were ultimately reviewed.

On September 29, 2015, the PRT held an entrance conference with you and your staff to explain the Peer Review scope, methodology, limitations, and proposed schedule. We also delivered our request for sample review materials. Subsequent to the meeting, the PRT performed their fieldwork through examination of the selected case files.

The PRT reviewed the current employees Training and Continuing Education files, and relevant policy and process manuals and procedural guides. All file requests were met fully and timely.

The PRT interviewed MCOIG staff. The interviews were conducted in confidence and without any limitation on scope or time.

The PRT interviewed external stakeholders. Meetings were arranged between the PRT and the external stakeholders for the purpose of evaluating agency cooperation, effectiveness, and responsiveness. Stakeholders included representatives from the:

- Montgomery County Council Offices, Council Administrator
- Montgomery County Chief Administrative Offices, Assistant CAO

Finally, the PRT held an exit conference with you and your staff on October 1, 2015, during which time the PRT shared its conclusion that the MCOIG fully met the AIG, GAO and CIGIE standards. PRT members provided you with our observations and opinions gathered during the review. These observations including areas for both distinction and consideration are detailed in a separate management letter.

On behalf of the AIG, I want to thank you for the confidence placed in the Association by requesting a Peer Review of your office. On behalf of the PRT, I would like to acknowledge and thank you and your staff, for your efforts in the coordination and planning of this event and for ensuring that we were provided with the necessary records and tools for a thorough and smooth review. Lastly, on behalf of the PRT, I would like to recognize that in all of our interactions with you and your staff, we were shown the respect and cooperation that is the hallmark of a professional staff truly interested in a full and open review of their work. At the same time, this has been a learning experience for each member of the PRT, for which we wish to convey our sincerest thanks.

We look forward to your next Peer Review in 2018.

Please feel free to contact me or any member of the Peer Review Team if you have any questions.

Yours truly,



Hector Collazo Jr.
PRT Leader, AIG Peer Review for MCOIG, September 2015
Chair, Peer Review Committee and Executive Board Member
Association of Inspectors General

cc: Jody Maxwell Team Member, AIG Peer Review for MCOIG, September 2015
Glenda B. Arrington Team Member, AIG Peer Review for MCOIG, September 2015

Inspector General's
Annual Report

for Fiscal Year 2015

&

Mid-Term
Report of Activity

*for the two Fiscal Years ended
June 30, 2015*

July 2015

Montgomery County Maryland
Office of the Inspector General



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A Message from the Inspector General

Montgomery County Code §2-151 requires the Inspector General to report annually on the activities of the Office of the Inspector General and its major findings and recommendations during the previous fiscal year. This report satisfies that requirement.

County Code also establishes a four-year term for the Inspector General. June 30, 2015 marks the mid-point of my four-year term. This report describes the Office of the Inspector General's accomplishments relative to the work plan we implemented during FY 2014 and 2015, as well as our opportunities and directions.

Our Challenges:

County Code charges the Office of the Inspector General (OIG) with goals and responsibilities for reviewing the activities of County government, independent County agencies, and County-funded agencies¹.

Per County Code, "independent County agency" means:

- (1) the County Board of Education and the County school system;
- (2) The Maryland-National Capital Park and Planning Commission;
- (3) the Washington Suburban Sanitary Commission;
- (4) Montgomery College;
- (5) the Housing Opportunities Commission;
- (6) the County Revenue Authority; and
- (7) any other governmental agency (except a municipal government or a state-created special taxing district) for which the County Council appropriates or approves funding, sets tax rates, makes levies, or approves programs or budgets.

¹ The goals of the Inspector General are to:

- (1) review the effectiveness and efficiency of programs and operations of County government and independent County agencies;
- (2) prevent and detect fraud, waste, and abuse in government activities; and
- (3) propose ways to increase the legal, fiscal, and ethical accountability of County government departments and County-funded agencies.

Although the County Code assigns these responsibilities to the Inspector General, the timely access to data and information related to independent County agency and County-funded programs/activities has evidently been a significant challenge to some Inspector General activities in past fiscal years. However, in our current, ongoing review of purchase cards and small purchases policies and procedures of all the County independent agencies, we are receiving cooperation from each agency.²

In addition to OIG oversight, independent County agencies including Maryland-National Capital Park and Planning Commission; Housing Opportunities Commission (HOC); and Washington Suburban Sanitary Commission have independent internal audit groups of from one (HOC) to five or more staff members who conduct investigations and audits of operations and finances. County departments are subject to reviews by the County Executive's Internal Auditor. Montgomery County Public Schools (MCPS) has an internal auditor devoted to oversight of its independent activity funds.

The County Council has responded to the calls for stronger MCPS oversight by providing additional staffing resources to the OIG, while recognizing that these resources are available to be used at the OIG's discretion. These resources will make it possible for our office to work with MCPS and Board of Education Officials to provide appropriate levels of oversight and I intend to employ them in that manner.

Our Impact:

While we endeavor to increase accountability and efficiency in each project we undertake, much of our work has a direct, observable impact on County operations, County residents, or employees. Examples follow.

1. *Crossway Community, Inc.* (December 2014) detailed resident allegations of mistreatment in a County-owned housing complex offering federally-supported housing, day care, and education benefits to low and moderate income, one-parent families. The complex is managed by a nonprofit which contracted with the Department of Housing and Community Affairs. Following our inquiry, the Housing Opportunities Commission (HOC) revoked the federal voucher subsidies associated with the property for violations of federal regulations. HOC then assisted individual residents in retaining their housing subsidies while relocating from the facility.
2. *Sick Leave Usage* (October 2014) described a pattern of sick leave abuse by retiring members of the Montgomery County Fire and Rescue Service (MCFRS). We found multiple instances

² On July 10, 2006 the office of the Attorney General of Maryland issued an opinion concluding that the county may authorize the inspector general to audit the board of education's financial transactions and accounts, but may not require the board to submit to a performance audit by the inspector general without the board's assent. If the board and county cannot agree on such an audit by the inspector general, and the county desires to have the benefit of a performance audit, it may request that Maryland State Department of Education (MSDE) contract for a performance audit of the county school system. Also, effective October 1, 2009, State law regarding the Washington Suburban Sanitary Commission (WSSC) was amended, authorizing the County Council or its duly authorized agents to audit and examine the books and records of the WSSC. The amendment clarifies the authority of the OIG under MCC 2-151. This amendment was introduced, at least in part, in response to a March 2008 OIG memorandum regarding WSSC's refusal to provide requested expenditure data to the OIG.

where upper management approved long periods of sick leave without requiring medical certification for employees who were close to retirement. The County Chief Administrative Officer stated that the County will take all necessary steps to ensure that MCFRS managers are held accountable for enforcing sick leave rules.

3. *Allegations of Misconduct by Certain Commissioners of the Montgomery Housing Opportunities Commission* (December 2014) detailed conflict of interest issues that arose for two HOC Commissioners. The OIG conducted this inquiry in partnership with the Montgomery County Ethics Commission. Both HOC Commissioners resigned while the Ethics Commission and OIG were looking into these matters. HOC agreed to provide ethics orientation and occasional refresher training to its Commissioners.
4. *Bethesda Cultural Alliance* (March 2014) contained recommendations to amend the laws and policies regarding the analyses required when considering Economic Development Fund grants. In submitting a proposed regulation to the Council on October 2, 2014, the County Executive wrote, "The proposed regulation amends and replaces Executive Regulation 47-95, which must be amended to address ... recommendations made by the Office of the Inspector General Report 14-005." The Council approved the proposed regulation. In addition, resolutions regarding Maryland Economic Development Assistance Authority and Fund (MEDAAF) financing that the County Executive proposed to the Council since our report, and that the Council approved, now provide clearer and more complete information about MEDAAF grant and loan requirements.
5. Our report on *One-Day Alcoholic Beverage Licenses* (May 2014) contained recommendations that the Department of Liquor Control (DLC) align its one-day license practices with the law and improve DLC's internal controls. On March 5, 2015, the Board of License Commissioners addressed one of our recommendations by adopting a motion permitting the Chief of Licensure, Regulation and Education to provide tentative approval of one-day licenses in certain circumstances. In addition, DLC asserts that it took several steps, such as numbering all licenses, securing checks received, and making daily deposits, in response to our recommendations.
6. *Water Quality Protection Charge* (February 2015) noted ambiguities in the regulations governing this program. Submitting a proposed amended regulation to the Council on March 24, 2015, the County Executive wrote, "This amended regulation... makes a number of technical and clarifying changes to current regulations governing the WQPC program to address issues outlined in a recent Preliminary Inquiry Memorandum (Memorandum) issued by the Office of the Inspector General (OIG) regarding the WQPC program." Executive Regulation 16-14AM was approved by the County Council, effective March 31, 2015.

Summary:

The activities identified in this report evidence the value of this office in furthering the County's efforts to ensure integrity and effective and efficient use of County resources. I recognize and appreciate the significant assistance and support provided to this office by Council members, the County Executive, other elected and appointed County leaders, and their staffs during this two-year period.

Respectfully submitted,



Edward L. Blansitt III
Inspector General



Office of the Inspector General

**Fiscal Years 2014-2017
Work Plan
&
Projected Budget**

October 2013

A Message from the Inspector General

The Montgomery County Council appointed me to serve as the County Inspector General for the four-year term beginning July 1, 2013 and ending June 30, 2017. Montgomery County Code §2-151 requires the Inspector General to submit to the County Executive and Council a projected work plan and budget for the Office of the Inspector General (OIG) for the entire term.

This document presents an operating strategy, work plan, and projected budget for the period covered by my term. In developing the work plan, I have considered the views of key stakeholders with whom I met during my first term, including the County Executive, Council Members, County employees, individuals, and members of community organizations.

The work plan is detailed on pages 1-4. The projected budget needed to perform this work is presented on page 5. Contractor resources needed to support our recurring efforts are included in the budget as operating expenses.

I have also included OIG performance measures in this document. The measures are aligned with priorities described in the work plan and, when populated with performance results, will help communicate OIG activities and value to the County Council, Executive, and other key stakeholders through OIG annual reports.

Edward L. Blansitt
Inspector General
October 31, 2013

Office of the Inspector General Operating Strategy

Mission

Consistent with the goals, authority, and duties found in Montgomery County Code §2-151, the mission of the Office of the Inspector General (OIG) is to promote the integrity, effectiveness and efficiency of programs and operations 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 and independent County agencies.

Vision

The OIG will contribute to the continued improvement of County government.

Objectives

The OIG will:

- deliver valuable products to serve the public and inform elected leaders and County decision-makers;
- serve as a catalyst for creation of positive changes throughout the County;
- establish effective working relationships with and earn the trust of our stakeholders; and
- address allegations or complaints raised by County leaders, employees and/or residents regarding a wide variety of issues and/or concerns.

FY 2014-2017 Work Plan

The OIG works to safeguard public resources. We provide an independent means for determining whether management actions are effective and are in compliance with all appropriate statutes, ordinances, and directives. We will address all complaints made to our office that involve County resources, County employees serving in their official capacities, and County activities.

Our work will address the following questions:

- Is the activity effective in accomplishing its stated goals/objectives?
- Is the activity efficiently using resources to accomplish objectives?
- Are costs reasonable and accurately reported?
- Is the activity in compliance with all applicable legal and policy requirements?

Internal OIG Management Initiatives

In addition to unanticipated issues arising from complaints, the OIG will focus on two areas: acquisitions and procurements, and accountability of County Government, independent County agencies, employees and others receiving Montgomery County funds.

Use data analytics to identify management/internal control weaknesses or deficiencies of organizations and technology systems.

To improve our ability to focus on the areas cited above, our intent is to use data analytics to the fullest extent possible in our future activities. The County's transition to Enterprise Resource Planning has increased availability of online databases, which presents significant opportunities for detecting waste, fraud, and abuse through rigorous analysis of data sets. Data analytics allow auditors to test 100 percent of available data rather than just a smaller statistical sample.

Because data analytics are designed to seek out anomalies, the tools are more appropriate for the detection of such "needles in a haystack" as fraud than are the more typically employed judgmental and statistical sampling methods. Such anomalies may also indicate errors that result from weak system controls and weaknesses in financial or management controls.

Investment in data analytics programs should, over time, be highly cost effective. Once data sets have been identified, put in proper form for analysis, and refined, analytic testing can be reapplied to data in future time periods to provide for continuous or repetitive monitoring of the activities of that program.

During FY 2012 and 2013, using contractor support, the OIG initiated two reviews based on development and use of data analytics tools. In order to reduce reliance on contractor support, all OIG staff members are being trained in the use of data analytics tools.

The progress of our reviews using data analytics has been slow - industry experience shows that the introduction of these programs can take years - but the return on investment can be significant. Proponents argue that data analytics represent the future of auditing.

Use contract subject matter experts to assist in conduct of specific audits and investigations

As necessary and cost effective, we will supplement staff with qualified external subject matter expert contractors where specific expertise is required by OIG in order to address technical issues beyond the expertise of our staff. The specific subject matter expertise required and the related costs will depend on external circumstances that the OIG can neither predict nor control. Accordingly, while the one-time, non-recurring cost associated with acquisition of expertise for a major review was appropriated and is included in FY 2014, this cost is not included in amounts projected for FY 2015-2017.

Leverage resources

As appropriate, we will continue our efforts to make our reviews a partnership between our staff and the audited entity which will ultimately be charged with the task of implementing changes in response to our findings and recommendations. This approach will enhance our mutual understanding of the issues without sacrificing our independence or objectivity.

Work Plan Priorities

- Our highest priority in each year will be to promptly review each complaint that is received and respond to the complainant. Complaints will be evaluated to determine whether there are reasonable grounds to suspect waste, inefficiency, or a violation of policy or legal requirements.
- When OIG determines that sufficient suspicions exist, inquiries will be initiated to determine whether an investigation or audit should be initiated. Since investigations are normally time-sensitive they will receive the higher priority.
- When appropriate, OIG will refer complaints to management for appropriate review and action, or to a State or other appropriate law enforcement agency.
- Beginning in FY 2014, greater emphasis will be placed on review of audit and investigative recommendations made in prior-year OIG reports. These follow-up reviews will help ensure that recommendations made in OIG reports have been properly addressed and that effective improvements have been implemented.
- Specific planned audits conducted in each fiscal year will be selected based on time-sensitivity, vulnerability of organizations due to weak controls, and potential for enhanced efficiency and effectiveness of programs.

Specific Work Plans

The work planned for each year appears below. The specific reviews listed for FY 2014 are currently in progress. For each fiscal year, 2015-2017, cross-cutting issues are identified for review. In executing the work plan, we will attempt to ensure that the cross-cutting issues address the County government, as well as the independent County agencies for which the OIG has oversight responsibilities.

The work plan will be modified as necessary, to ensure that unanticipated or urgent issues arising during each period are promptly addressed.

FY 2014-2017:

Recurring Work plan activities:

- Preliminary inquiries related to complaints received by the OIG.
- Referrals to management or law enforcement agencies of complaints received by the OIG.
- Follow-up on select audit recommendations made in prior-year OIG reports.

Specific planned audits and investigations:

FY 2014:

- Reviews of the Department of Liquor Control.
- Review of project controls for the construction of the Silver Spring transit center.
- Review of the Montgomery County Public Schools acquisition of interactive whiteboard technology.
- Review of selected Department of Permitting Services data.

FY 2015:

- Selected reviews of procurements and acquisition practices.
- Review of Risk Management.
- Analyses of selected financial and non-financial data.
- Selected administrative processes.

FY 2016:

- Selected payments, possible improper payments, and related controls.
- Selected contract awards and oversight.
- Analyses of selected financial and non-financial data.
- Selected administrative processes.

FY 2017:

- Selected reviews of housing and social programs.
- Implementation of technology initiatives.
- Analyses of selected financial and non-financial data.
- Selected administrative processes.

FY 2014-2017 Projected Office of the Inspector General Budget

For FY 2014, five positions, supplemented by contract audit support, were authorized in the OIG Budget. As of the beginning of FY 2014, the personnel complement consisted of four full-time staff members, including the Inspector General and Deputy Inspector General, and three part-time investigators whose combined work hours constitute the equivalent of one full-time work-year.

To ensure quality work, accurately capture the essence of interviews, and protect the integrity of OIG processes, staff members are normally able to work effectively on no more than two projects simultaneously.

The projected operating budget, displayed in the table below, presents those resources necessary to support this OIG work plan. Contractor resources used to support our efforts are included in the budget as operating expenses.

This budget projects a reduction in total funding between FY 2014 and FY 2015. That reduction is associated with the one-time operating expense appropriated to the OIG for support on the OIG review of the Silver Spring transit center. The FY 2015 increase in personnel cost reflects the mandatory cost increases projected by the County Office of Management and Budget. No increase in either total funding or the number of full-time positions is projected at this time for fiscal years 2015-2017. However, specific subject matter expertise and additional staff may be required, and related funding may be requested as those needs arise and are recognized.

*Office of the Inspector General
Projected Budget*

| Fiscal Year | Total Work Years | Personnel | Operating Expenses | Total | Increase over Prior FY |
|----------------------|-------------------------|------------------|---------------------------|--------------|-------------------------------|
| 2014 Approved | 5.0 | \$662,000 | \$168,100 | \$830,100 | N/A |
| Each year, 2015-2017 | 5.0 | \$672,500 | \$68,100 | \$740,600 | -10.8% |

Performance Measures

The OIG work plan places our priorities on responding to issues raised by stakeholders and investigating matters of concern. The OIG proposes to include the performance measures identified below in the budget requests and to report related results during fiscal years 2015-2017.

| OIG Performance Measures |
|---|
| <p>Outcomes:</p> <ul style="list-style-type: none">• Results of annual survey will indicate improved stakeholders' views of the OIG. |
| <p>Service Quality:</p> <ul style="list-style-type: none">• Percent of complaints reviewed and corresponding decisions made within 5 business days.• Percent of inquiries completed within 60 days.• Percent of complaints resolved within 90 days.• Percent of audits/inspection/investigation reports completed within 6 months.• Percent of recommendations implemented. |

The Office of the Inspector General invites the County Council, County Executive, and other key stakeholders to provide comments to (ig@montgomerycountymd.gov)