

**MEMORANDUM**

September 26, 2016

**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 September 29th, 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	<b>An update from the Office of the Inspector General</b> <ul style="list-style-type: none"><li>• Edward L. Blansitt III, Inspector General, Office of the Inspector General (OIG)</li></ul>	©1
2	<b>An update from the Office of Internal Audit</b> <ul style="list-style-type: none"><li>• William Broglie, Manager, Internal Audit</li></ul>	©12

**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's handout, attached beginning at ©1, summarizes highlights from the *Inspector General's Annual Report for Fiscal Year 2016* ([here](#)) and the FY2017 Work Plan ([here](#)). Of note,

- The OIG issued nine reports in FY2016. Seven reports addressed purchase card policies and procedures for each of the five County and bi-county agencies, the Housing Opportunities Commission and the Revenue Authority. An eighth report, released in March 2016, provided a synthesis of the prior reports (See ©4);
- The OIG handled 13 unpublished preliminary inquiries and 13 referrals to other agencies (See ©5); and
- The OIG's FY2017 Work Plan consists of five carryover projects and three new projects, in addition to the ongoing activities of complaint intake and preliminary inquiries (See ©9).

## **ITEM #2: UPDATE FROM THE OFFICE OF INTERNAL AUDIT**

Mr. Broglie, the Manager of the Internal Audit program, will update the Committee on the activities of the Office of Internal Audit. Mr. Broglie provided a summary of the Office's audit activities, attached beginning at ©12. See the MCIA website ([http://www.montgomerycountymd.gov/exec/internal\\_audit.html](http://www.montgomerycountymd.gov/exec/internal_audit.html)) for copies of these reports. Of note,

- MCIA has released seven reports since they were last before the Audit Committee in September 2015, including:
  - Two audits of compliance with the wage law;
  - A review of the Water Quality Protection Charge assessment;
  - A review of cashier operations at the transfer station;
  - Two Community Use of Public Facility (CUPF) assessments; and
  - An update of its risk assessment and long term audit plan.
  
- MCIA has four ongoing reviews. They include:
  - an assessment of Human Rights implementation of Bill 24-15, Minimum Wage for Tipped Employees, with a focus on the quarterly reporting requirements;
  - an assessment of compliance with HIPPA within the County;
  - a preliminary review of Corrections' programs; and
  - an investigation of the 911 service interruption.

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Office of the Inspector General

Update to the Montgomery County Council Audit Committee

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Inspector General's  
FY 2016 Annual Report of Activity and FY 2017 Work Plan

September 29, 2016



MONTGOMERY COUNTY MARYLAND

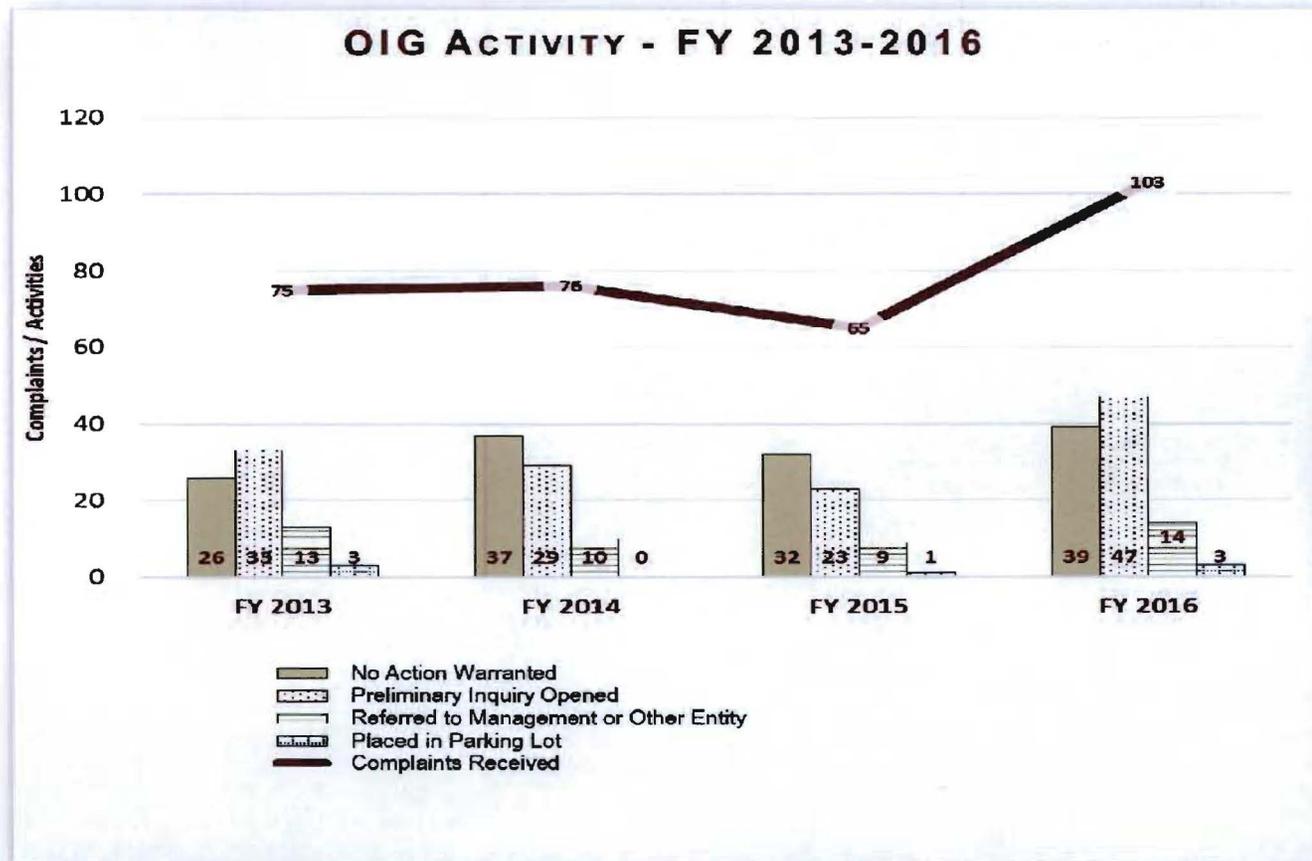
**OFFICE OF THE INSPECTOR GENERAL**



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## FY 2016 Annual Report of Activity

***FY 2016 Activity at a Glance***



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***FY 2016 Reports Issued***

1. *Capstone Report of Montgomery County Government and Independent County Agencies Purchase Card Policies and Procedures (March 2016).*
  2. *Preliminary Inquiry Memorandum: Montgomery College Alumni Magazine (November 2015).*
  3. *Report of Maryland National Capital Park and Planning Commission Purchase Card Policies and Procedures (January 2016).*
  4. *Report of Montgomery County Revenue Authority Purchase Card Policies and Procedures (January 2016).*
  5. *Report of Washington Suburban Sanitary Commission Purchase Card Policies and Procedures (January 2016).*
  6. *Report of Report of Montgomery College Purchase Card Policies and Procedures (January 2016).*
  7. *Report of Housing Opportunity Commission of Montgomery County Purchase Card Policies and Procedures (February 2016).*
  8. *Report of Montgomery County Public Schools Purchase Card Policies and Procedures (February 2016).*
  9. *Report of Montgomery County Government Purchase Card Policies and Procedures (March 2016).*
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**Summaries of Unpublished Preliminary Inquiries, an Investigation, and Referrals to other Entities closed in FY 2016 are presented in the Annual Report**

- Preliminary Inquiries:
  - Housing Opportunities Commission: 1
  - Montgomery County Government: 10
  - Montgomery County Public Schools: 2
- An Investigation for the Ethics Commission
- Referrals
  - Housing Opportunities Commission: 1
  - Maryland Dept. of Human Resources OIG: 1
  - Maryland-National Capital Park and Planning Commission: 2
  - Montgomery College: 1
  - Montgomery County Government: 7
  - Montgomery County Public Schools: 1



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***FY 2016 Budget Results***

OIG Resources		Budget	Actual	Unexpended
FY 2016	Personnel	980,775	839,645	141,130
	Operating	68,302	19,552	48,750
	<b><i>Appropriation</i></b>	<b><i>1,049,077</i></b>	<b><i>859,197</i></b>	<b><i>189,880</i></b>
	PY Encumbrance	378	378	0
	<b><i>Total Resources</i></b>	<b><i>1,049,455</i></b>	<b><i>859,575</i></b>	<b><i>189,880</i></b>



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## ***FY 2016 Performance Results***

Performance Measures	Goal	2015 Actual	2016 Actual
Percent of incident reports reviewed and action initiated within 5 business days	90%	94%	99%
Percent of inquiries completed within 60 days	70%	86%	83%
Percent of incident reports resolved or referred to management within 90 days	70%	96%	95%
Percent of audit/inspection/investigation reports completed within 6 months	50%	55%	11%
Percentage of audit/inspection/ investigation recommendations accepted [1]	67%	93%	33%

[1] During FY 2016, of the 9 reports issued, three contained formal recommendations – there were 6 recommendations in total. Of the six formal recommendations, management clearly agreed to implement two. In other cases, management stated it “will evaluate” the issue, “will take into consideration” the issue, or “is investigating” the issue.



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## FY 2017 Work Plan



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***FY 2017 - Planned Activity***

***Work in Progress – Carryover from FY 2016***

Billing Processes of Medicaid and Medicare Claims

Analysis of Cash Disbursements Data

Review of Maryland Treatment Centers Billings

Follow-Up: Alcohol Inspections

Follow Up: Inspections of Ride-On Buses

***Department or Agency***

Health and Human Services

County-wide

Health and Human Services

Liquor Control

General Services

***Planned Work – FY 2017***

Analysis of Cash Disbursements Data

Review of the Disability Retirement Program

Review of Sole-Source Procurements

***Department or Agency***

Public Schools

Employee Retirement Plans

Public Schools

***Ongoing Activity***

Complaint Intake & Preliminary Inquiries

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## ***Current Status: FY 2014 - 2017 Work Plan Initiatives***

***Use data analytics to identify management/internal control weaknesses or deficiencies of organizations and technology systems that could leave organizations vulnerable to errors or fraud:***

- For the County government and independent County agencies, determined the percent of purchase card approvers with high numbers of cards to review, and
- Began a test of the County's disbursements from 2011-2016 using data analytics software processed by a contractor. This investigation continues.

***Use contract subject matter experts (SME's) to assist in conduct of specific audits and investigations:***

- Engaged an SME for the data analysis project above.

***Follow-up on selected audit recommendations made in prior-year OIG reports:***

- Began follow-up testing on two reports: *Preventive Maintenance and Compressed natural Gas Inspections of Ride-On Buses*, and *Department of Liquor Control: Review of Management Controls Over Inspectors*

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## ***FY 2017 Budget***

	FY 16 Appropriation	FY17 Appropriation
Personnel Expense	980,775	975,282
Operating Expense	68,302	65,399
<b>Total Expense</b>	<b>1,049,077</b>	<b>1,040,681</b>
Change vs. Prior FY	292,031	(8,396)

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**Office of the County Executive**  
**Office of Internal Audit Status Report to the Audit Committee**  
**September 2016**

**New Audit Reports Issued Since Last Office of Internal Audit Appearance before the Audit Committee in September 2015:**

- 39. 10/21/2015 Audit of Wage Requirements Law Compliance – Securitas USA (MCIA-16-1)
- 40. 11/16/2015 Audit of Wage Requirements Law Compliance – CAMCO, LLC (MCIA-16-2)
- 41. 1/5/2016 Program Assessment of the Water Quality Protection Charge (WQPC) Program (MCIA-16-3)
- 42. 4/18/2016 Transfer Station Cashier Operations (MCIA-16-4)
- 43. 5/2/2016 County-Wide Risk Assessment and Multi-Year Internal Audit Plan (FY 2017 – 2020)
- 44. 9/2/2016 Program Assessment of Community Use of Public Facilities – Before and After School Childcare Programs in Public Schools (MCIA-17-1)
- 45. 8/5/2016 Program Assessment of Community Use of Public Facilities – Reservation of Public Facilities Process (MCIA-17-2)

All issued reports are on: [http://www.montgomerycountymd.gov/exec/internal\\_audit.html](http://www.montgomerycountymd.gov/exec/internal_audit.html)

**Ongoing Reviews (4)**

1. **Office of Human Rights: Minimum Wage Law Program Assessment.** We are conducting an assessment of the Office of Human Rights' progress in implementing the provisions of Bill 24-15 – particularly the quarterly wage reporting requirements – to identify current risks and opportunities for potential enhancements in implementation of these provisions. *Current Status:* Task order to conduct assessment was awarded effective July 1, 2016, fact-finding is underway.
2. **Health Insurance Portability and Accountability Act (HIPAA) Compliance – Risk Assessment.** In collaboration with the County's Deputy Privacy Officer, MCIA is conducting a risk assessment to assist the County in understanding current risks and compliance levels with HIPAA regulations within the County, including compliance by departments performing covered functions as a health care component. This assessment will provide a current state baseline of County compliance, and will also assist in assessing the need for any future audits focused on specific HIPAA compliance issues identified as a result of this baseline risk assessment. *Current Status:* Task order to conduct assessment was awarded effective July 1, 2016, fact-finding is underway.
3. **Department of Corrections and Rehabilitation (DOCR) Operations – Preliminary Review.** The objective of this task is to conduct an initial review and risk assessment of DOCR programs and management controls to assist the County in understanding current risks and challenges in performing these programs; and identify the highest risk areas. This



preliminary review will be undertaken in one phase, which will require the audit firm to meet with appropriate DOCR officials and staff and review available documentation (including accreditation report/results, performance metrics) to identify those audit areas that pose the highest risk to the County, or may pose a high risk in the future. The results of this preliminary risk assessment will be used to assess the need for any future audits focused on specific compliance issues identified as a result of this baseline risk assessment. *Current Status:* Task order to conduct assessment was awarded effective July 1, 2016, fact-finding is underway.

- 4. Investigative Services Relative to the County's 9-1-1 Service Interruption.** The objective of the post-incident investigation of the 9-1-1 service interruption that occurred on July 10-11, 2016, will be to determine what happened, why it happened, the impact of the outage on the County's provision of 9-1-1 services, the effectiveness of the County's response in the wake of the incident, and what steps need to be taken to ensure that 9-1-1 services are not interrupted in the future. *Current Status:* Task order to conduct investigation was awarded 7/29/2016. The preliminary draft investigation report is undergoing review. A briefing for the Public Safety Committee/Government Operations Committee will take place in November.