

**Montgomery County, Maryland
Offices of the County Executive
Office of Internal Audit**



**Contract and Grant Monitoring by
Department of Police**

July 8, 2013

Highlights

Why MCIA Did this Audit

As part of the County Wide risk assessment completed by MCIA, contract and grant monitoring by departments was identified as a high risk area. In FY12, the County's total value of purchase orders issued under contracts totaled \$736 million. Of that amount \$266 million related to the Capital Improvement Program (CIP) and the Department of Health and Human Services (HHS), both of which were previously subjected to contract and grant monitoring audits. The contract and grant monitoring audit of the Montgomery County Police Department (MCPD) is one in a series of five departmental audits to focus on the \$470 million of grant and contract spending unrelated to CIP and HHS. MCPD FY12 purchase order spending under contracts was \$18.46 million or 3.93% of the \$470 million, which is the sixth highest department in Montgomery County overall. Reports regarding the other four departments are being issued separately.

What MCIA Recommends

MCIA is making four recommendations to MCPD in order to improve the performance and enhance the existing internal controls pertaining to contract monitoring. MCPD concurs with all recommendations.

June 2013

Contract and Grant Monitoring by Department of Police

What MCIA Found

The Montgomery County Police Department (MCPD) has generally designed and implemented good procedures and internal controls for contract monitoring. However, in testing nine contracts, we found two errors related to MCPD's review of contractor invoices and payments and one for contract monitoring. The errors were instances in which existing procedures were not performed as designed. We also identified one opportunity to improve and strengthen existing procedures and controls.

We found weaknesses in internal controls over invoice review and contract monitoring in areas such as: (1) ensuring vendor invoices and supporting documents reviewed for contract monitoring are in the same metrics for measurement (e.g., minutes or seconds) and are reviewed for completeness and accuracy; (2) ensuring vendor compliance with contract terms and identifying the need to modify contract terms when changes in terms are implemented; (3) ensuring department staff designated as contract administrators attend training to gain an understanding of the duties and responsibilities of the role; and (4) Strengthening the document retention practices to ensure that all supporting documentation is maintained with the vendor invoice.

Table of Contents

Objectives	1
Background.....	1
Scope and Methodology	2
Results.....	4
Other Matters.....	7
Recommendations	7
Comments and MCIA Evaluation	8
Appendix A	9
Appendix B	11

Objectives

This report summarizes the work performed by Cherry Bekaert LLP in an internal audit of the Montgomery County contract and grant monitoring process. The scope of this engagement included reviewing the contract and grant monitoring policies and procedures of the Montgomery County Police Department (MCPD). The objective of the audit was to:

Review and test the effectiveness of contract and grant monitoring policies and procedures followed by County departments (excluding HHS and CIP projects) to ensure contractor performance is contractually compliant and being effectively tracked, that contract changes and extensions are being properly managed, and that applicable invoices are properly reviewed, maintained and are accurate. This audit will include reviewing monitoring by departments of both program performance and financial accountability.

This internal audit report was performed in accordance with consulting standards established by the American Institute of Certified Public Accountants (AICPA) and generally accepted government auditing standards (GAGAS) established by the Government Accountability Office (GAO), as appropriate. Our proposed procedures, developed to meet the objectives stated above, were reviewed and approved in advance by Montgomery County Internal Audit (MCIA). Interviews, documentation review, and field work were conducted from October 2012 to April 2013.

Background

Contracting Activity in Fiscal Year 2012

MCPD was the sixth highest department in purchase order spending under contracts for FY12. MCPD made up approximately 3.93% (\$18.46 million) of the total FY12 expenditure for Non-HHS and Non-Capital purchase orders issued. The department had a total of 99 contracts that were in effect during FY12 ranging from \$840 thousand to \$6.8 million. The contracts in effect for FY12 for MCPD tended to consist of: requisition of goods; maintenance services; and IT solutions.

Invoice Review and Approval

Contract Administrators, contract administrator's designees, or MCPD financial staff receives invoices directly from the vendors. Invoices received by MCPD financial staff are forwarded to the contract administrator or contract administrator's designees for review. The contract administrator or designee staff reviews the invoice from compliance with contract terms and accuracy of fees charged. The contract administrator or designee sign or initial the invoice to evidence their approval for payment. If the contract designee is the first reviewer of invoice, he or she forwards the invoice to the contract administrator for review and approval which is also documented on the invoice.

Invoices for Districts/Divisions that do not have payment approval capability are forwarded to the Management and Budget Division for processing in the County's financial system. The Management and Budget Specialist is the financial approver of invoices. Invoice supporting documentation is filed by the Management and Budget Division. Per County policy, any invoice over \$10,000 must also be submitted for approval to Accounts Payable personnel in the Department of Finance.

Scope and Methodology

We performed our review of contract and grant monitoring in two phases. Phase 1 consisted of interviewing responsible individuals from the Department of General Services (DGS) and eight other County departments, including MCPD, to gain an understanding of the policies and procedures followed in monitoring vendor performance under contracts and grants. In addition, Phase 1 included detailed testing of contract and grants monitoring procedures of one contract from each of the eight County departments with the highest purchase order spending for calendar year 2011. See Appendix A for details of the MCPD contract tested as part of Phase 1 (Northrup Grumman for \$1.5 million). Results of the procedures performed in Phase 1 were used as a basis for developing the approach to Phase 2 testing. Phase 2 involved detailed testing of the monitoring procedures for 9 MCPD contracts. In Phase 1 and Phase 2, Cherry Bekaert reviewed 10 MCPD contracts totaling \$11.47M or 68% of the total MCPD purchase orders issued during FY12.

This audit covered contracts and grants in effect during fiscal year 2012. Using procurement data of purchase orders issued under contracts in effect for FY12 provided by DGS, Cherry Bekaert initially selected 15 contracts for potential review with department staff using the following criteria:

- o Dollar amount of purchase orders issued under the contract
- o Description of services being procured on purchase orders issued

Cherry Bekaert and MCIA met with department staff to gain an understanding of the goods or services being procured under each contract, the length and tenure of the contract or contractor, and how much activity the department had with the contractor in FY12. Based upon information shared by the department staff and the review of additional procurement information provided by the department, Cherry Bekaert selected the following nine contracts for review. For contracts that had multiple task orders, only one task order was selected for testing.

Table 1 – Contract Sample Selected for Phase 2

Vendor	Contract #	Description of Goods or Services	PO Amounts for FY12
ACS STATE & LOCAL SOLUTIONS, INC.	1001027	To install and maintain automated enforcement cameras and to provide back office support.	\$4,008,790.00
ACS STATE & LOCAL SOLUTIONS, INC.	7474000045AA	To enlist a camera service provider to implement and assist in managing photographic speed-monitoring system of vehicles violating a speed limit or speed restriction.	\$2,800,000.00
ANVS	0474000348AA	Purchase of night vision goggles and night vision binoculars	\$1,296,300.00
GTSI CORP	1000568	Implement a mobile video system, interview room video systems and physical security video systems.	\$516,231.90
ADVANCED SOFTWARE SYSTEMS, INC.	7341000118AJ	Connecting network systems of different municipalities to provide a basis of uniform information used to maintain information on people, places, and vehicles.	\$395,808.00
WESTWOOD	8474000157AA	Uniform dry cleaning and laundry	\$381,700.00

Vendor	Contract #	Description of Goods or Services	PO Amounts for FY12
VALET, INC.		service for several County agencies.	
ALLIEDBARTON SECURITY SERVICES	9481000132AA	Licensed uniformed professional security service.	\$320,000.00
VOIANCE LANGUAGE SERVICES LLC	8474000306AA	Telephone language interpreter services.	\$266,500.00
JAMES R COLLINS	1015883	Knowledge transfer contract.	\$39,895.20
Total			\$,9,985,329.90¹

Our testing for Phase 2 focused on the following

- Reviewing procedures performed by department staff to ensure contractor performance was in accordance with contract terms.
- Reviewing procedures performed by department staff to ensure payments made to contractors were for services or goods provided in accordance with contract terms.

The attributes tested are listed in Tables 2 and 3 below:

Table 2 – Attributes Tested for Contract Administration/Monitoring

Attribute	Description
A	Monitoring of contractor performance milestones delivery, submission of status reports, and/or submission of invoices and other data related to payment
B	Reviewing of contractor status and performance reports
C	Pre approving, receiving, inspecting, and/or accepting of contractor work
D	Certifying costs incurred for payment under time and material or labor hour contracts
E	Performing site visits or visual observations of contractor work performance, if applicable
F	Monitoring procedures performed in accordance with contract terms on a continuing and timely basis
G	Identification and reporting of contract problems and violations to appropriate managers in a timely manner.

Table 3 – Attributes Tested for Invoice Review and Approval

Attribute	Description
A	Services or goods invoiced in accordance with contract terms
B	Supporting documentation required by the contract was submitted with the invoice and retained
C	Unallowable costs do not appear to be included in invoice submission
D	Invoice signed by Vendor (if applicable)
E	Invoice approved by Contract Administrator/Monitor /Task Order Manager and/or appropriate department manager
F	Voucher approved by appropriate finance department person
G	Voucher approved by Accounts Payable

¹ The value of the contract testing in Phase 1 was \$1,472,309; when added to Phase 2 contracts the value of the 10 contracts totaled \$11,457,638.90

Attribute	Description
H	Amount per invoice agrees to amount paid
I	Invoice signed by Contract Administrator's/Task Order Manager supervisor, if applicable
J	Invoice signed by Contract Administrator's/Task Order Manager subordinate, if applicable

Results

Our review found that contract and grant monitoring was generally performed in accordance with applicable County policies and procedures, department practices and contract or grant terms and conditions. We have identified opportunities for improvement in contract monitoring and invoice review and approval for 3 of 9 contracts. One contract was found to have an exceptions with 1 of the 7 attributes tested for contract administration and monitoring or a 1.6% error rate². Two contracts were found to have exceptions with 2 of the 10 attributes tested for invoice review and approval testing or a 3.9% error rate³.

The tables presented below provide a summary of the exceptions noted during our testing.

Table 4 – Summary of Exceptions from Phase 2 Contract Administration/Monitoring Testing

Attribute Tested	Total Exceptions Per Attribute	Sample Tested Per Attribute	% Exceptions Per Attribute
A - Monitoring of contractor performance milestones delivery	0	9	0%
B - Reviewing of contractor status and performance reports	0	9	0%
C - Receiving, inspecting, and/or accepting of contractor work	0	9	0%
D - Certifying costs incurred for payment	0	9	0%
E - Visual observations of contractor work	0	9	0%
F - Monitoring procedures performed in accordance with contract terms	1	9	11%
G - Identification and reporting of contract problems timely	0	9	0%
Total Exceptions	1		
Total Samples	9		
# of Samples with Exceptions	1		

² Contract Monitoring Error rate : Total number of exceptions noted (1)/ Total number of attributes tested (63)=1.6%

³ Invoice Review and Approval error rate : Total number of exceptions noted (1)/ Total number of attributes tested (51)=1.9%

Table 5 – Summary of Exceptions from Phase 2 Invoice Review and Approval Testing

Attribute Tested	Total Exceptions Per Attribute	Sample Tested Per Attribute	% Exceptions Per Attribute
A - Services or goods invoiced in accordance with contract terms	0	9	0%
B - Supporting documentation required by the contract was submitted	1	9	11%
C - Unallowable costs do not appear to be included in invoice submission	1	9	11%
D - Invoice signed by Vendor, if applicable	0	0	0%
E - Invoice approved by Contract Administrator/ Task Order Manager	0	9	0%
F - Voucher approved by appropriate finance department person	0	5	0%
G - Voucher approved by A/P	0	1	0%
H - Amount per invoice agrees to amount paid	0	9	0%
I - Invoice signed by Contract Administrator's/ Task Order Manager supervisor, if applicable	0	0	0%
J - Invoice signed by Contract Administrator's subordinate, if applicable	0	0	0%
Total Exceptions	2		
Total Samples	9		
#of Samples with Exceptions	2		

Below is a summary of our findings on specific contracts reviewed that had exceptions.

Contract #8474000306AA – Voiance Language Services, LLC: Telephone language interpreter services.

Invoice Review and Approval (Attribute C): Each month MCPD pays for services provided at a set fee per minute. The invoice, as well as the support, is downloaded by the Contract Administrator. The invoice shows the monthly call volume in seconds, while the report reviewed for invoice support shows the monthly call volume in minutes. Per the contract the following requirements are set forth for invoice submission:

Section II Compensation, Item A:

The County will compensate the Contractor upon receipt and acceptance of an invoice submitted by the Contractor in a format approved by the County....

Section II, Compensation, Item B:

In consideration of the services and goods to be provided by the Contractor to the County, the County's payments will be made upon submission of invoices by the Contractor in a form and format acceptable and approved to the County listing services performed and goods provided and the itemized cost for each service satisfactorily performed (as determined by the County), and each good accepted by the County.

Per inquiry with the current contract administrator, who assumed responsibility for contract in January 2012, we found that the contract administrator was not converting the call volumes to the same measurement to compare the accuracy between the invoice and supporting documentation. However, the contract administrator does use the report downloaded to perform a review of call lengths and reviews a sample of calls from each invoice period that are longer than an expected call length (e.g., 15 min). The contract administrator has found and resolved with the vendor calls for which the County was overbilled.

Cherry Bekaert converted the minutes on the support to seconds and compared the converted figure to the call volume invoiced and noted that for both invoices tested, the seconds per the support did not agree with the seconds listed on the vendor's invoice. Between the two invoices the variances noted represented a potential of the County being overbilled by \$638.40 net.

Month	Invoice Call Volume Reported in Seconds	Invoice Support Call Volume Reported in Minutes	Support Call Volume Converted to Seconds	Call Volume Difference in Seconds	Potential Invoice Variances Over/(Under) Billing Error (at \$0.0183 per second)
October 2011	355,959	6,143	368,580	(12,621)	(230.96)
June 2012	347,686	5,003	300,180	47,506	869.36

After meeting with MCPD to review the audit results, MCPD management performed additional review of the reports provided by the vendor to support invoices. MCPD management determined the report used to review the June invoice only included information on calls from the 911 center and excluded information on calls from officers in the field. In addition, MCPD management identified an additional report provided by the vendor that details calls from both origination points (911 and field). A copy of the June report was provided to Cherry Bekaert. Cherry Bekaert reviewed the newly provided report and was able to determine that the report did present call activity in the same measurement as the invoice (seconds) and did agree to the June invoice.

In addition, the contract administrator also stated that they had not had any formal training regarding the duties and responsibilities as a contract administrator. The Office of Procurement does offer contract administration contractor training and forums.

Contract #8474000157AA – Westwood Valet, Inc.: Uniform dry cleaning and laundry service

- 1) Contract Administration and Monitoring (Attribute F), Invoice Review and Approval (Attribute C): Twice a week the vendor comes to the Public Safety Headquarters to pick up items to be cleaned and drop off items that have been cleaned. Currently, there are no County employees checking in/verifying laundry items on the Daily Activity Form, as prescribed by the contract. In *Section C; #54 (Pick-up and Delivery Schedule); Paragraphs 3 & 4,*
 “Using the Daily Activity Form, the deliveries are to be checked in/verified by a designee from the Contractor and the using County Agency. The County

designee should record any discrepancies, sign, and date the Daily Activity Form. The Daily Activity Form will act as a packing ticket and be used as documentation for invoicing”.

By not performing this procedure, the County is unable to know if the vendor is properly and timely returning all items sent for cleaning and, as discussed below is not obtaining the proper support for approving invoices under the contract.

- 2) Invoice Review and Approval (Attribute B): Currently, the Daily Business Activity Forms are not being remitted with the vendor invoices as support. In addition, each “Summary Statement” is its own invoice. They are not being consolidated into one monthly invoice as stated in the contract. Under contract *Section C; #53 (Invoicing); Paragraph 1*, “The Contractor will submit a Summary Statement once each month for each site of a using County Agency. The statement will detail the monthly activity for each site supported by the Daily Business Activity Forms for this site. The Contractor will consolidate and list the department's Summary Statements of each site into one invoice”. The contract administrator without the Daily Business Activity Forms and Summary Statement is unable to validate charges or to detect improper charges from the vendor to the County.

MCPD Staff recognized that current contract monitoring and invoice procedures are a departure from the contract requirements.

Other Matters

Contract #9481000132AA – AlliedBarton Security Services, LLC.: Licensed uniformed professional security service

We found the department’s ability to timely provide the supporting documentation for the invoices being tested was impaired by how the invoice and supporting documentation is filed. To validate the contractor staff hours being invoiced by the vendor, the Contract Administrator verifies these hours against the “Sign In / Sign Out” forms that are completed each work day by the MCPD staff. Once the hours on the vendor’s invoices have been verified the “Sign In / Sign Out” forms (i.e., the invoice support) are filed with the Office Service Coordinator. The invoices are filed with the, Security Services Division. The department could improve the accessibility of the key support for the invoice by reviewing the retention procedures for the key supporting documentation.

Recommendations

We are making four recommendations to improve internal controls over the Montgomery County Department of Police contract monitoring and invoice review and approval process.

Cherry Bekaert recommends that the Chief, Department of Police:

1. On the language interpretation contract, develop and implement a procedure whereby the MCPD verifies call volume on the support to the invoice to the identified vendor supporting report that details calls in the same metric as the invoice from both the 911 center and

offices in the field. Additionally, the department should perform an analysis on all invoices using the newly identified report, from the start of FY12 to date, to identify any variances between the invoices and support and resolve them with the vendor.

2. On the laundry contract, assess current contract monitoring practices for the vendor performance and validation of vendor services to determine amendments to the contract terms for contract monitoring.
3. On the security contract, assess current documentation retention practices to determine feasibility of retaining a copy of the "Sign In / Sign Out" form with the invoice as well as the potential of scanning the form into an electronic format for easy retrieval.
4. Require all department staff newly designated as contract administrators to attend contract administration training prior to or soon after being assigned contract administrator duties and responsibilities.

Comments and MCIA Evaluation

We provided MCPD with a draft of this report for review and comment on June 13, 2013 and MCPD responded on June 21, 2013. MCPD said it concurred with the recommendations in the report and said it had no additional comments. (See Appendix B for MCPD's response.)

Appendix A

The contract tested in Phase 1:

Vendor	Contract #	Description of Goods or Services	PO Amounts for FY12
Northrup Grumman Information Technology, Inc.	7474000122-AA	Integration of the National Capital Region (NCR) Links Database	\$1,472,309

The attributes tested and results from Phase 1

Table A1 – Attributes Tested for Contract Awarding

Attribute	Description	Exceptions for MCPD
1	Determine if all documentation, per solicitation method, was included in submission package	0
2	Solicitation request met specified criteria	0
3	Determine DGS supervisor and management review was performed and documented (submission checklist)	0
4	Based on solicitation amount were proper formal or informal procurement procedures followed	0
5	Determine if there was proper cutoff on receipt of solicitations based on the solicitation due date	0
6	Determine if the department had proper management review and approval of award recommendations prior to submission to DGS (if applicable)	0
7	Determine if DGS performed review of the department's solicitation review and recommendation	0
8	Determine if DGS posted the award after approval of the award recommendation	0

Table A2 – Attributes Tested for Contract Administration/ Monitoring

Attribute	Description	Exceptions for MCPD
1	Determine if a copy of the contract and all modifications are documented in the contract file	0
2	Determine if any correspondence concerning performance of the contract are documented in the contract file	N/A
3	Determine if status reports are documented in the contract file (if applicable)	N/A
4	Determine if invoices copies are documented in the contract file	0
5	Determine if contract has proper approval	0
6	Determine if amendments have proper approval	0
7	Determine if contract is properly monitored	0
8	Determine if contract and corresponding amendment(s) were approved in accordance with the Procurement Guide.	0

Attribute	Description	Exceptions for MCPD
9	Determine if current contract cost exceed contract/PO cost	0
10	Determine if Contract Administrator has discussed project overrun with department management	N/A

Table A3 – Attributes Tested for Invoices Review and Approval

Attribute	Description	Exceptions for MCPD
1	Invoice calculations are in accordance with the contract terms and accurate (foot and cross-foot)	0
2	Supporting documentation required by the contract was submitted with the invoice	0
3	Unallowable costs do not appear to be included in invoice submission	0
4	Invoice signed by Vendor (if applicable)	3
5	Invoice signed by Contract Monitor	0
6	Voucher approved by appropriate department person	0
7	Voucher approved by A/P	0
8	Amount per invoice agrees to amount paid	0
9	Invoice rates agree to contract rates	0

N/A = Attribute is non-applicable to contract

Appendix B



DEPARTMENT OF POLICE

Isiah Leggett
County Executive

J. Thomas Manger
Chief of Police

MEMORANDUM

June 21, 2013

TO: Larry Dyckman, Manager
Office of Internal Audit
Offices of the County Executive

FROM: Assistant Chief Luther I. Reynolds *LR 6-21-13*
Management Services Bureau

SUBJECT: Report on Contract and Grant Monitoring by Department of Police

Per your request, the Department of Police has reviewed the draft Contract and Grant Monitoring by Department of Police report dated June 13, 2013 which was prepared by your office. The Department of Police concurs with the four recommendations as written in the report, and has no additional comments.

We appreciate your efforts as well as the staff from Cherry Bekaert in completing this report. Please feel free to contact me should you have any questions.

Public Safety Headquarters • 100 Edison Park Drive • Gaithersburg, Maryland 20878
www.montgomerycountymd.gov • www.mymcpress.com • MCPDChief@montgomerycountymd.gov

montgomerycountymd.gov/311  301-251-4850 TTY