



OFFICE OF THE INSPECTOR GENERAL
MONTGOMERY COUNTY MARYLAND

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INSPECTOR GENERAL

REPORT OF INVESTIGATION

Allegation of Self-Dealing at Montgomery County Economic
Development Corporation

OIG Publication # OIG-21-011

APRIL 16, 2021

Why We Did This Investigation

The Office of the Inspector General (OIG) initiated this investigation pursuant to a complaint alleging that the Montgomery County Economic Development Corporation (MCEDC) likely violated the County Code's prohibition against self-dealing by approving a \$20,000 sponsorship requested by a Board Member in support of a venture they operate. The complainant also alleged that MCEDC inappropriately provided the former MCEDC Chief Executive Officer (CEO) with \$100,000 to purchase a home as part of a compensation package.

Through investigation the OIG sought to determine whether the noted MCEDC sponsorship and other Board Member connected organizations comported with law and policy. The OIG did not investigate the appropriateness of MCEDC's award to the former CEO in this investigation because we did not identify any provisions in MCEDC policy or their contract with the County that prohibited this type of transaction.

What We Found

1. The MCEDC Board of Directors' approval of the subject sponsorship was allowable under policy.
2. MCEDC did not always follow policy when considering Board Member connected sponsorship requests.
3. MCEDC does not have a reliable mechanism in place to ensure that conflict of interest forms are consistently collected, reviewed, and maintained.
4. The annual conflict of interest forms do not require the disclosure of all potential conflicts.

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BACKGROUND

In October 2015, economic development functions conducted by the former Department of Economic Development (DED), including those related to marketing, business attraction and retention, entrepreneurship, and innovation programs were privatized and delegated to a non-profit entity called the Montgomery County Economic Development Corporation (MCEDC). On March 15, 2016, the County Council formally designated MCEDC as the County's lead on economic development initiatives. MCEDC is a 501(c)(3) organization and overseen by a Board of Directors composed of 14 members. Eleven members are unpaid voting members who are appointed by the County Executive and confirmed by the County Council, and three (3) are non-voting members, one each appointed by the County Executive, County Council, and the Maryland Secretary of Commerce.

MCEDC Board Members¹ are not subject to the Montgomery County Public Ethics Law². Instead, County law requires MCEDC to maintain bylaws that include (1) a prohibition against self-dealing and other collusive practices, (2) a provision for the disclosure of a financial or similar interest of any person in any matter before the MCEDC that would create a conflict of interest, (3) a provision establishing conditions under which a person is disqualified from participating in actions in which there is a conflict between the person's official duties and private interests, (4) appropriate remedies for violation of the bylaws, and (5) a policy to protect whistleblowers.

The County maintains a relationship with MCEDC through a contractual agreement. The agreement requires MCEDC to work in partnership with the County to implement economic development strategies for business attraction, retention, expansion, and entrepreneurship, including the development and implementation of a workplan in support of the County's economic development strategic plan. In general, the workplan lays out a strategy to support industry growth and diversification, foster entrepreneurial activity, and respond to the needs of targeted and emerging industries. The contract provides few specifics regarding the use of funds.

MCEDC is funded almost exclusively by the County. Figure 1 depicts the source of MCEDC's revenue as reported in their annual Financial Statements and Independent Auditor's Report.

¹ MCEDC's policies use Board Member and Director interchangeably to refer to a member of the MCEDC Board of Directors.

² Montgomery County Code, Chapter 19A-17

Figure 1: MCEDC Revenue

Fiscal Year	Total Revenue and Support	County Contributions	% Funding from County
FY19	\$ 4,987,046	\$ 4,932,634	99%
FY20	\$ 7,003,399	\$ 6,607,752	94%

Since its establishment in 2016, MCEDC has received approximately \$79 million in County funds, including \$39.5 million to implement and manage programs furthering the County’s business attraction, retention, and growth initiatives; \$24.2 million to support and administer the Economic Development Grant & Loan Program, MOVE Program, Biotech Credit Supplement, and Small Business Assistance Program; and an additional \$15.3 million in special appropriations intended to respond to the COVID-19 pandemic.³

Figure 2 provides detailed information regarding MCEDC’s expenses as reported in their annual Financial Statements and Independent Auditor’s Report.

Figure 2: MCEDC Functional Expenses

Functional Expenses	FY19	FY20
Salaries, Benefits, Human Resources, Employee Development	\$2,585,187	\$2,890,815
Facilities, Rent, Utilities, IT, Office Expenses	\$294,842	\$268,219
Legal and Financial	\$202,334	\$190,653
Travel, Parking, Meal and Entertainment	\$87,222	\$66,087
Telework Assistance Fund (COVID-19)	\$0	\$1,044,321
Marketing, public relations, website	\$487,923	\$242,685
Events/sponsorships	\$148,581	\$188,069
Membership and subscriptions	\$140,432	\$142,303
Strategic initiatives	\$124,000	\$0
Business development	\$103,031	\$310,313
Misc. Subcontractors	\$53,628	\$30,697
Misc. Expenses	\$0	\$579
Goal 1 - Grow and Diversity	\$81,264	\$570,397
Goal 2 - Work and live	\$1,850	\$18,000
Goal 3 - Enterprise and innovation	\$22,198	\$20,000
Goal 4 - Private Fundraising	\$30,003	\$0
Total Expenses by fiscal year	\$4,362,495	\$5,983,138

³ Information regarding MCEDC appropriations from a March 2, 2021 Council Packet on Bill 11-21, Montgomery County Economic Development Corporation – Bylaws- Live Video Streaming of Open Meetings.

According to its FY20 Annual Report, MCEDC used their FY20 appropriation to develop attraction and expansion projects with companies which resulted in (1) the creation of 1,512 jobs, (2) the retention of 842 jobs, and (3) the leasing of over 450,000 square foot of new commercial space. MCEDC also reported 4,830 connections with businesses on a range of issues; and invested \$240,000 in entrepreneur programs through partnerships with nine (9) organizations/groups, including CONNECTpreneur, Maryland Tech Council, and BioHealth Innovation (BHI). The FY20 report also highlighted MCEDC's assistance with the COVID-19 response, including the administration of several programs funded by or through the County.

INVESTIGATIVE FINDINGS

In November of 2020, the Office of the Inspector General (OIG) received a complaint alleging that in 2019 the Montgomery County Economic Development Corporation (MCEDC) likely violated the County Code's prohibition against self-dealing by approving a \$20,000 sponsorship requested by a Board Member for a venture they operated. The complainant also alleged that MCEDC inappropriately provided the former MCEDC Chief Executive Officer (CEO) with \$100,000 to purchase a home as part of a compensation package.

We did not examine the appropriateness of MCEDC's payment to the former CEO in this investigation because we did not identify any provisions in MCEDC policy or their contract with the County that prohibited this type of transaction. We did note however, that the payment was disclosed in MCEDC's 2018 tax filing as a loan for housing purposes.

During our investigation, we validated the complainant's assertion that in September of 2019, the MCEDC Board of Directors approved a sponsorship that was requested by a Board Member for an affiliated venture. We further observed however, that the MCEDC policy allows for such activities and that other Board Members were also awarded funding for projects with which they were affiliated. We also determined that MCEDC did not always follow their own policies and procedures related to sponsorships⁴ and identifying and preventing potential conflicts of interest.

Support of Organizations and Events with Board Member Interest

Between January 2016 and February 2021, MCEDC awarded \$103,500 in sponsorships to organizations in which a Board Member had a financial interest or held a policy-making position. This represents 26% of the total funds MCEDC categorized as awarded as sponsorships during this period. We additionally found that sponsorships given to organizations with Board Member affiliation averaged \$10,350, more than double the average award to non-Board Member affiliated organizations.

Our investigation further disclosed that three quarters, \$79,000, of the \$103,500 awarded to Board Member affiliated organizations went to entities or events affiliated with one company chaired by an MCEDC Board Member. Of the remaining sponsorship funding, \$20,000 was awarded to a business founded and chaired by another Board Member; and \$4,500 was awarded to support an initiative hosted by a non-profit entity wherein an MCEDC Board Member serves in a policy-making role.

The MCEDC *Board Member Events Sponsorship Policy* permits MCEDC Board Members to request sponsorship for industry events "where he/she is a principal producer, promoter and/or sponsor" with approval from the Board of Directors. However, the funding amounts, proportion of total awards, and disparity between awards granted to Board Member affiliated

⁴ Sponsorship is defined as an MCEDC financial contribution in support of an industry event.

projects and non-affiliated projects, at a minimum, gives the appearance of inequitable application of funding and possible self-dealing.

Non-Compliance with MCEDC Policy

OIG staff reviewed Board meeting minutes, associated documentation, and sponsorship proposals for ten sponsorship requests, and compared them to the criteria outlined in MCEDC by-laws and policy.⁵ We found that only seven of the ten sponsorships were presented to the Board as required, and all seven related Board meeting minutes lacked at least one element required by policy. The remaining three sponsorship requests were not presented to the Board.

The policies we reviewed, in pertinent part, discuss the need for transparency, public perception of MCEDC Board Member conduct, and issues with Board Member sponsorship requests. The MCEDC Conflict of Interest Policy⁶ prohibits a Board Member from voting on, using their personal influence on, or participating other than to present factual information or respond to questions in any matter which significantly affects a specific business in which the Board Member is or has been employed in the past 6 months, has an economic interest, or holds a policy-making position.

Both the MCEDC Bylaws and the *Conflict of Interest Policy* require full disclosure by Board Members of any potential conflict in matters presented to the Board. After reviewing a disclosure, the Board determines by majority vote whether a conflict of interest exists or can reasonably be construed to exist. If the Board finds a conflict, the Board Member may not vote on, or participate in, the discussions or deliberations with respect to the contract, transaction, or determination. The policies and Bylaws outline specific information that must be recorded in MCEDC Board meeting minutes for matters in which a Board Member may have an interest.

We found that the Board minutes for the seven sponsorships approved by the Board did not always include the required information. We noted that none of the minutes reviewed specifically defined the nature of the Board Member's interest in the sponsorship; most lacked information regarding the determination of a conflict of interest, and which Board Members were present during the deliberations; three decisions were missing information stating that the involved Board Member recused themselves from the vote; one had no record of Board approval or the results of the vote; and none of the minutes discussed any alternative transactions considered.

Similarly, the *Board Member Events Sponsorship Policy* states that, "All sponsorship grants approved by MCEDC should be accompanied by a letter to the sponsoring entities/Board Member delineating the conditions of the sponsorship grant." In response to a request for

⁵ The Bylaws of the Montgomery County Economic Development Corporation, The MCEDC Conflict of Interest Policy, The MCEDC Board Member Events Sponsorship Policy, and The MCEDC Financial Management Policies.

⁶ The MCEDC Conflict of Interest Policy is incorporated by reference into the MCEDC Bylaws.

copies of these letters for the sponsorships reviewed, MCEDC stated that the conditions are outlined in policy and they do not provide letters.

Sponsorships with Board Member Interest Not Presented to the Board

We identified three sponsorships in our sample of ten sponsorship requests connected to MCEDC Board Members that were not presented for review and approval by the Board. The *Board Member Events Sponsorship Policy* requires Board approval for sponsorship requests made by Board Members for industry events when a Board Member is a “principal producer, promoter and/or sponsor” of the event. We concluded that in keeping with MCEDC policy, two of the three requests should have been presented to the Board for consideration. The third transaction, though financially beneficial to an organization in which a Board Member had a financial interest, did not originate with the affected Board Member, and therefore did not require Board approval.

We found two sponsorships totaling \$4,500 that benefited organizations where a Board Member served in a policy making position that should have been presented to the Board for approval. Both requests included a solicitation letter co-addressed by a Board Member and they were noted as the requestor for one. An MCEDC manager explained to the OIG that MCEDC made an internal decision not to forward the request to the Board because the Board Member did not receive compensation for her involvement with the beneficiaries. The MCEDC manager further stated that MCEDC supports all similar events and therefore treated the sponsorship as a “standard request” and did not consider the Board Member’s status on the Board to be material. While this may have been a standard request for an event that MCEDC would likely support, given the Board Member’s policy making role with the beneficiaries, MCEDC policy requires Board approval and recordation of the deliberation process.

The third sponsorship presented the scenario where a third party requested a sponsorship that directly benefited a business affiliated with a Board Member. The *Board Sponsorship Policy* does not appear to specifically require Board approval unless the sponsorship is requested by a Board Member. We note that this creates an opportunity to bypass Board scrutiny for some sponsorships involving Board Members.

Annual Disclosure Statements Not Routinely Collected and Maintained

The MCEDC *Conflict of Interest Policy* requires each Director, Officer, and employee of MCEDC to annually sign a statement (1) affirming that the person has received, read, understood, and agreed with the conflict of interest policy, and (2) disclosing financial interests and family relationships that could give rise to conflicts of interest. The certifications are made on a *Conflict of Interest Annual Affirmation and Disclosure Statement* form (COI Form).

We analyzed forms covering January 1, 2016 to February 25, 2021.⁷ Generally, we found that MCEDC does not appear to have a reliable mechanism in place to ensure that COI Forms are consistently collected, reviewed, and maintained. We discovered some COI Forms did not include known Board Member interests that would have likely triggered the MCEDC policies related to conflicts of interest. These included organizations that received MCEDC sponsorship funds in which the Board Member had an economic interest or held a policy-making position.

Specifically, MCEDC was unable to locate any COI Forms from 2017. Additionally, MCEDC did not collect COI Forms in 2020. MCEDC explained that COI forms are normally collected in person at the annual meeting in June; however, because of the pandemic, MCEDC conducted meetings virtually and the 2020 COI Forms were not collected at the normal time. OIG staff analyzed available MCEDC COI Forms for 2016, 2018, 2019, and 2021. We found that 2016 was the only year in which MCEDC collected and maintained COI Forms for all voting Board Members. Figure 3 displays a summary of COI Forms provided by MCEDC.

Figure 3: COI Forms Provided to OIG

Year	Forms Provided ⁸	% of Total Expected
2016	11	100%
2017	None	0%
2018	6	55%
2019	8	67%
2020	None	0%
2021	7	64%

We did not attempt to determine if Board Members intentionally omitted potential conflicts from their annual filings. However, we did observe that the COI Form provides minimal instructions, elicits limited information, and is open to interpretation. To complete the form accurately, an individual must reference, or recall in its entirety, the *Conflict of Interest Policy*, agree to comply with the policy, and affirm they do not have any financial interests as described in the policy. The form contains a blank space for a Board Member to describe in their own words any potential conflicts. See Appendix A for an example of the signature/affirmation page of a COI Form.

It is reasonable to assume Board Members may have different interpretations as to what constitutes a potential conflict. In addition to the personal financial interests of a Board Member, the *Conflict of Interest Policy* includes the financial interests of immediate family members and businesses in which the Board Member holds a policy-making position. The

⁷ Our analysis included only voting Board Members, as MCEDC historically did not require COI Forms of ex-officio Board Members.

⁸ In 2019, twelve COI forms should have been collected due to the appointment of a new Board Member.

INVESTIGATIVE FINDINGS

policy prescribes avoidance of any action that could be interpreted as an attempt “to obtain an unfair advantage for any organization in which that person or an immediate family member is employed or holds a policy-making position or to which that person supplies goods or services”. Despite the additional conflicts outlined in policy, the COI Form appears to only request information regarding a Board Member’s financial interests.

We compared the COI Form required of MCEDC Board Members to the Financial Disclosure Form required by the Montgomery County Public Ethics Law for designated County employees and assigned members of boards, commissions, and committees of the County government. The County Financial Disclosure Form requests much more specific information regarding a filer’s real property, ownership of stock or other interests in corporations, partnerships or other businesses, sources of income, indebtedness, solicitation of gifts to charitable organizations, and other relevant interests. Unlike the County Ethics disclosure process where a designated reviewer and administrator examine, approve, and manage financial disclosure forms as required by law, MCEDC does not have a similar review or disclosure process to make Board Members and/or staff aware of conflicts.

RECOMMENDATIONS

MCEDC's non-conformance with their own policies regarding self-dealing, failure to consistently ensure Board Members complete COI forms, and deficiencies with the COI form itself make it difficult for MCEDC to reliably identify and address potential conflicts of interest.

As a result of our findings, we recommend MCEDC:

1. Ensure that all Board decisions affecting businesses in which an MCEDC Board Member is or has been recently employed, has an economic interest, or holds a policy-making position are documented as required by MCEDC policy.
2. Improve transparency by requiring Board approval of all sponsorships benefiting organizations in which a Board Member has a financial interest, holds a policy making position, or is a producer, promoter and/or sponsor of the event, regardless of who requests the sponsorship.
3. Establish a mechanism to ensure required *Conflict of Interest Annual Affirmation and Disclosure Statements* are consistently and accurately completed, reviewed, and maintained, including appropriate remedies for noncompliance.
4. Modify the *Conflict of Interest Annual Affirmation and Disclosure Statement* to include information that assures the impartiality and independent judgement of Board Members will be maintained in matters brought before the Board.
5. Issue letters delineating the conditions imposed on sponsorships involving Board Members to comply with policy, maintain transparency, and ensure that all parties clearly understand the Board's intentions and expectations.

OIG COMMENTS TO MCEDC RESPONSE

The MCEDC President and Chief Executive Officer's response to our report is included in its entirety in Appendix B. The response notes concurrence with all the OIG's recommendations. Nothing in the response caused us to alter our report.

In remarks made to address Finding 1 of our report, MCEDC appears to attribute conclusions to the OIG that we did not make. For clarification, the OIG did not test or offer an opinion on the value provided by MCEDC's efforts, the reasonableness of costs, the applicability of sponsorships to MCEDC's mission, the Board's approval of all sponsorships, or MCEDC's partnerships. Our investigation focused on an allegation of whether the Board violated the County Code's prohibition against self-dealing by awarding a sponsorship to a Board Member affiliated venture. To that point, we concluded that MCEDC policy allows for such activities. We also determined that MCEDC did not always follow their own policies and procedures related to sponsorships and identifying and preventing potential conflicts of interest.

Additionally, it is important to note that our findings were based on documentation (evidence) provided by MCEDC and not on uncorroborated information, such as interviews. MCEDC's response notes that interviews with Board Members and those attending Board meetings would have shown that all "substantive aspects" of policy were followed when considering Board Member sponsorship requests. As we explained during a close-out meeting with MCEDC management, MCEDC's policy requires Board meeting minutes to include specific information about Board Member connected sponsorship requests. To that end, we purposely limited our review to an examination of available written Board meeting minutes. Any information obtained through interviews would not have satisfied the requirements established in policy or been adequate evidence to conclude that the Board met all requirements when considering Board Member connected sponsorships.

APPENDIX A: CONFLICT OF INTEREST ANNUAL AFFIRMATION AND DISCLOSURE STATEMENT

MONTGOMERY COUNTY ECONOMIC DEVELOPMENT CORPORATION

Conflict of Interest Annual Affirmation and Disclosure Statement

I have received and carefully read the Conflict of Interest Policy of the Montgomery County Economic Development Corporation (the "Organization"). By signing this Annual Affirmation and Disclosure Statement, I hereby affirm that I understand and agree to comply with the Conflict of Interest Policy. I further understand that the Organization is a nonprofit organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes without personal gain (other than salary) by board members or staff.

Except as otherwise indicated below, I hereby state that I do not have any financial interests as described in the Conflict of Interest Policy.

If any situation should arise in the future that I think may involve me in a conflict of interest, I will promptly and fully disclose in writing the circumstances to the Secretary of the Board of Directors of the Organization.

Name (Please print)

Signature

Date

Please explain potential conflict(s) below:

APPENDIX B: MCEDC PRESIDENT AND CHIEF EXECUTIVE OFFICER (CEO) RESPONSE



April 14, 2021

Megan Davey Limarzi, Esq.
Inspector General
Office of the Inspector General
51 Monroe Street, Suite 600
Rockville, MD 20850

RE: Response to OIG Investigation: Anonymous Allegation of Board Conflict-of-Interest

Dear Ms. Limarzi:

The OIG conducted an investigation to determine whether the noted MCEDC action “comported with law and policy.” We appreciate that your office has concluded “[t]he MCEDC Board of Directors’ approval of the subject sponsorship was allowable under policy.” In response, we offer the following additional points below for the record.

RESPONSE TO THE FINDINGS:

The report’s Executive Summary makes four findings, which we address below:

1. The MCEDC Board of Directors’ approval of the subject sponsorship was allowable under policy.
2. MCEDC did not always follow policy when considering board member connected sponsorship requests.
3. MCEDC does not have a reliable mechanism in place to ensure that conflict of interest forms is consistently collected, reviewed, and maintained.
4. The annual conflict of interest forms does not require the disclosure of all potential conflicts.

Finding 1. The investigation found that the Board approval was allowable under policy. In all cases, any Board-approved sponsorships fulfilled MCEDC’s mission, provided value to the organization, developed partnership relationships for MCEDC, were reasonable in cost, and were approved unanimously by the Board members who considered them. We believe the OIG investigation should have included interviews with any Board members who were principals in the action in question. With these Board member interviews, the report should have concluded very clearly and affirmatively that there was no wrong-doing found on the part of MCEDC in approving these sponsorships, in addition to its conclusion that the sponsorship was allowable under policy.

Finding 2. The OIG investigation based this finding of whether MCEDC followed policy not on substantive evidence that was uncovered but rather on a lack of process as reflected in the Board meeting minutes. We believe MCEDC did follow all substantive aspects of its policy when considering a Board member sponsorship request. While we agree that the documentation of activities and transactions should have been more consistently reflected in the Board meeting minutes, the investigation did not include interviews with Board members. If the OIG had interviewed those in attendance at the Board meetings when these sponsorships were approved, it would have been demonstrated that the Board did recognize potential conflicts of interest to exist on the part of the Board members who requested sponsorship and acted accordingly. These direct recusal actions included physically excusing those Board members from the meeting room during consideration of the sponsorship, deliberation without those Board members' participation, and the Board member being recused from casting a vote on the sponsorship. Regrettably, this deliberate process was not always adequately captured in the written meeting minutes. We agree that MCEDC's required documentation should have been more consistently maintained in accordance with the procedural aspects of its policy, but those deficiencies were occasional and unintentional.

Finding 3. We agree that there could have been a more reliable mechanism in place to ensure that Board member conflict of interest forms were consistently collected, reviewed and maintained. This deficiency has already been corrected.

Finding 4. The annual conflict of interest forms does not include MCEDC's conflict of interest policy as part of the document itself, but the form does reference the policy. The form has since been updated to directly include the conflict-of-interest policy and to make other adjustments.

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RESPONSE TO THE RECOMMENDATIONS:

MCEDC shares the OIG recommendations' goal of strengthening our policies to detect and prevent future potentially injurious conflict of interests. We support the opportunity to enhance our internal procedures to ensure full transparency and to improve the oversight of potential and/or perceived conflicts of interest at all times. Accordingly, in a spirit of cooperation, MCEDC concurs with the OIG recommendations. MCEDC has already taken action to implement the recommendations.

Recommendation 1: *Ensure that all Board decisions affecting businesses in which an MCEDC board member is or has been recently employed, has an economic interest, or holds a policy-making position are documented as required by MCEDC policy.*

Response: *Concur*

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By the time of this publication, MCEDC Board members have already been asked to disclose and list any businesses or organizations in which he/she is or has been employed, has an economic interest, or has a policy-making role (such as an officer or executive committee position) when completing his/her conflict-of-interest form. As an additional safeguard, the sponsorship application for an organization seeking support shall include a question on the request form as to whether any MCEDC Board members also serve on that organization's executive committee.

Prior to MCEDC Board approval of a Board-member related sponsorship or any other action particularly affecting an individual Board member, the affected Board member will be asked to disclose any potential or perceived conflicts of interests during an open meeting of the Board of Directors. The Board of Directors will then be asked to determine by majority vote: 1) whether a conflict of interest exists or can be reasonably construed to exist, and 2) whether the pending contract, transaction, determination is commercially reasonable and represents fair value. If so, the affected Board member will be excused from the Board meeting for the duration of the Board discussion on the merits of the matter, and any Board vote on that item. The minutes of the Board meeting will reflect the disclosure made, the results of the vote (to include abstentions) and whether a quorum was present at the time of the vote.

Recommendation 2: *Improve transparency by requiring Board approval of all sponsorships benefiting organizations in which a board member has a financial interest, holds a policy making position, or is producer, promoter and or sponsor of the event, regardless of who requests the sponsorship.*

Response: *Concur*

MCEDC will ensure that all sponsorships where a Board member has a financial interest, is a financial producer or promoter of the event, or holds a policy-making position with the sponsor (as defined above) are presented to the Board for approval. Effective immediately, MCEDC will provide the Board with a list of pending sponsorship requests which may have a Board member conflict of interest even if the sponsorship has not yet been recommended to be approved or denied by MCEDC staff. We are undertaking these measures to improve transparency as best as possible while recognizing that MCEDC staff and Board members may or may not always be fully aware that a Board member's organization is also a sponsor of an event that MCEDC is considering sponsoring without a specific Board member request.

Recommendation 3: *Establish a mechanism to ensure required Conflict of Interest Annual Affirmation and Disclosure Statements are consistently and accurately completed, reviewed, and maintained, including appropriate remedies for noncompliance.*

Response: *Concur*

Effective immediately, MCEDC has established an online form to collect the Annual Conflict of Interest Affirmation and Disclosure Statements. MCEDC Board members will be instructed to complete the form as part of their initial Board member orientation and when Board materials are sent in preparation for the Annual Board meeting in June. Collected Conflict of Interest Statements will be reviewed by the Board Chair and discussed as an agenda item during the Annual Board meeting. A list of outstanding conflict of interest statements will be recorded in the minutes and listed as an action item to be addressed by the Executive Committee. MCEDC will work with the Board Chair to collect any outstanding forms that have not been received prior to the Board's next scheduled meeting.

Recommendation 4: *Modify the Conflict-of-Interest Annual Affirmation and Disclosure Statement to include information that assures the impartiality and independent judgement of board members will be maintained in matters before the Board.*

Response: *Concur*

MCEDC has changed its Conflict-of-Interest Annual Affirmation and Disclosure Statement to include information that assures the impartiality and independent judgment of Board members will be maintained in matters considered by the Board. A revised Conflict of Interest Affirmation has been presented to the Board for approval at its April 2021 meeting.

Recommendation 5: *Issue letters delineating the conditions imposed on sponsorships involving board members in order to comply with policy, maintain transparency, and ensure that all parties clearly understand the Board's intentions and expectations.*

Response: *Concur*

MCEDC has developed a standard letter delineating the conditions imposed on sponsorships involving board members. This letter has been implemented and is attached.

Thank you for the opportunity to respond to the OIG investigation's findings and recommendations.

Sincerely,



Benjamin H. Wu
President & CEO

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[DATE OF BOARD APPROVAL]

Dear [BOARD MEMBER]:

I am pleased to inform you that the Board of Directors of the Montgomery County Economic Development Corporation (MCEDC) has approved your request to sponsor the [EVENT NAME] event on [EVENT DATE] at the [SPONSORSHIP LEVEL OR AMOUNT].

A copy of MCEDC's Board Sponsorship Policy is enclosed. Please confirm your acceptance of the following conditions of this sponsorship:

- The event will be held in or near Montgomery County, Maryland if possible/appropriate, and is intended to benefit Montgomery County businesses and residents, among others.
- The event will be open to the public.
- The industry sector addressed by the event has been identified by MCEDC and the County as a target market in their economic development strategies.
- The amount of the sponsorship request is for a reasonable portion of the overall event cost, not its entirety.
- No portion of MCEDC's sponsorship funds may be used for the purchase or sale of alcoholic beverages.
- At the request of MCEDC staff, provide a summary of the event outcomes including how or if the intended event objectives were met and such other information as is appropriate under the circumstances.

To facilitate payment, please submit an invoice in the amount of [SPONSORSHIP AMOUNT] and a current copy of your W9 form to mcedcbilling@bill.com for processing. **Please also include a copy of this signed letter with your correspondence.**

We appreciate the opportunity to support this event and look forward to our participation.

If you have any questions, please let us know.

Sincerely,

[Board Chair]

On behalf of [BOARD MEMBER COMPANY], I hereby accept this Sponsorship and agree to the terms of this letter:

[BOARD MEMBER NAME & TITLE]

[DATE]

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