



OFFICE OF THE INSPECTOR GENERAL
MONTGOMERY COUNTY MARYLAND

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Performance Audit of the Fiscal Management
Division

Montgomery County Fire & Rescue Service

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EXECUTIVE SUMMARY

This audit of the Montgomery County Fire Rescue & Service (MCFRS) was initiated pursuant to the Office of Inspector General's mandate to conduct reviews of the internal accounting processes and controls used by each department and principal office in the Executive Branch. MCFRS's approved operating budget for fiscal year (FY) 2023 and 2024 was \$252,665,621 and \$266,795,154, respectively. Our audit largely focused on activities performed by the Fiscal Management Division responsible for Emergency Medical Services (EMS) Billing, Procurement, and Budget & Grants. We evaluated MCFRS's oversight of Local Fire Rescue Departments (LFRDs) as well as controls over the processing of expenses (including Purchasing Card or P-Card usage).

OBJECTIVES

Through this audit we attempted to (1) determine whether P-Card transactions were supported by proper documentation and purchased for use by the County; (2) determine whether P-Card transactions complied with established County policies and procedures related to local and non-local travel; (3) assess P-Card transactions to identify the presence of fraudulent, improper, or abusive P-Card purchases; (4) evaluate whether LFRDs are following County policies when procuring goods and services; and (5) evaluate the implementation of controls over the processing, approval, distribution, and monitoring of EMST funds to LFRDs.

SCOPE AND STANDARDS

Our audit covered activity from September 26, 2019, through December 31, 2024. Our audit was conducted in accordance with the generally accepted government auditing standards (GAGAS).

RESULTS

- MCFRS is not consistently monitoring and tracking EMST funds distributed to the LFRDs to ensure spending complies with County procedures.
- LFRDs did not always follow County regulations and internal MCFRS policies when purchasing goods and services.
- P-Card transactions did not always comply with the County's Purchasing Card policy and MCFRS's internal processes.
- Non-Local travel was not documented and approved in the County's travel system as required by policy.

RECOMMENDATIONS

We made 7 recommendations corresponding to our findings to improve MCFRS's oversight of various financial transactions and processes to ensure operational effectiveness and adherence to County policies and regulations pertaining to the monitoring of EMST fund spending, LFRD adherence to County policies when procuring goods and services plus purchases made using P-Cards.

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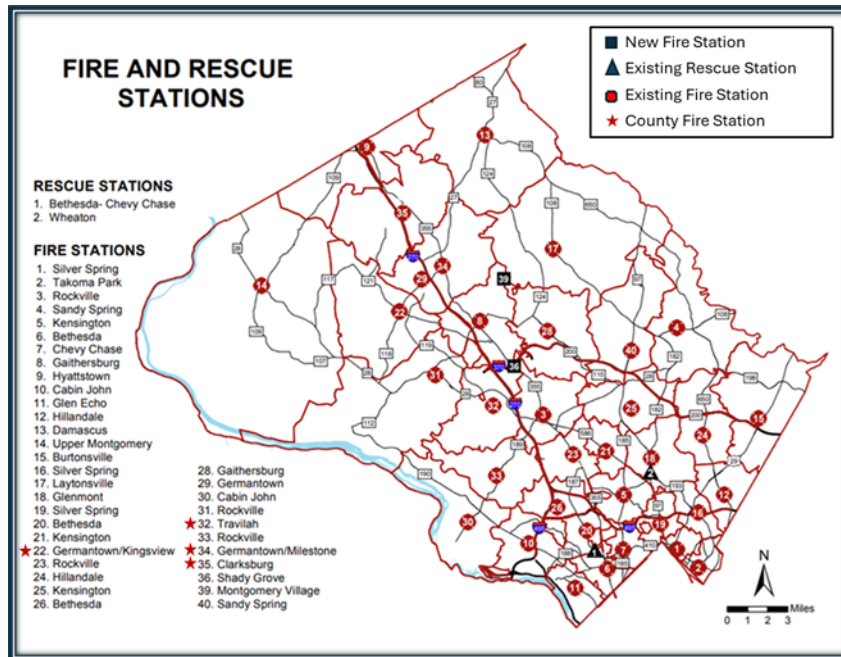
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BACKGROUND

The Montgomery County Fire & Rescue Service (MCFRS) is committed to enhancing public safety by reducing vulnerability and improving community resilience. Serving a population of over one million people across approximately 500 square miles, MCFRS operates as a combination system of both career and volunteer firefighters. Each year, nearly 2,700 trained responders handle more than 120,000 emergency calls. MCFRS's approved operating budget for fiscal year (FY) 2023 and 2024 was \$252,665,621 and \$266,795,154, respectively.

MCFRS is organized into six operational and administrative divisions¹, including the fire chief (Fire Chief) as the head of the organization. The Volunteer Services Division supports 19 Local Fire and Rescue Departments (LFRDs), which are represented by the Montgomery County Volunteer Fire and Rescue Association (MCFVRA). MCFRS operates 37 fire and rescue stations throughout the County. See Figure 1 for a listing and location of each station. Staffing at each station varies, with a mix of career and volunteer personnel. Although each LFRD functions as an independent corporation², they "may provide direct fire suppression, rescue, or emergency medical services [to] the County."

Figure 1: Location of Fire Stations



¹ MCFRS divisions: Volunteer Services, Fiscal Management, Operations, Support Services, Human Resources, and Office of the Fire Chief.

² COMCOR 21.02.14.03 defines corporation as a fire or rescue corporation established in the County, authorized to provide fire, rescue, or emergency medical services.

Procurement, Contracting, and Purchasing

LFRDs receive funding from several sources, including the County's Emergency Medical Services Transport Insurance Reimbursement Program (EMST)³, the Maryland Senator William H. Aross Fire, Rescue, and Ambulance (State 508) Fund (AMOSS Grant), the Maryland Emergency Service Transporter Supplemental Payment Program (ESPP), and through their own fundraising efforts. Chapter 21 of the Montgomery County Regulations (COMCOR) establishes procedures for the purchasing and contracting of goods and services for fire and rescue corporations that receive tax and grant funds. MCFRS's Division of Fiscal Management (Fiscal Management) is responsible for procurements within MCFRS. LFRDs utilize County funds to make various purchases, from resurfacing station floors and bathroom renovations to acquiring apparatus.

MCFRS Policy 03-08 outlines the process for acquiring fire and rescue apparatus⁴. The policy includes requirements for verifying specifications, obtaining approvals, and ensuring compliance with safety and performance standards. The policy requires that before signing any agreement, the LFRD President must notify the Fire Chief in writing and provide technical specifications and five-sided line drawings of the proposed vehicle. All new apparatus must meet or exceed the County's minimum requirements.

MCFRS also uses purchasing cards (P-Cards) to buy office and safety supplies, food for standby operations, fuel, and travel expenses. The County's Department of Finance (Finance) is responsible for the administration of the P-Card program and has a designated P-Card administrator who functions as the liaison between the departments and the P-Card Provider. Between July 1, 2023, and December 31, 2024, MCFRS spent \$2,249,186 using 117 P-Cards.

Emergency Medical Services Transport Insurance Reimbursement Program (EMST)

In May 2012, the County Council enacted Bill 17-12E (effective January 1, 2013) to authorize the County to impose and collect emergency medical service transport fees under the Emergency Medical Services Transport (EMST) Insurance Reimbursement Program. This program allows MCFRS to bill insurance providers for emergency medical transportation services, such as ambulance rides. The County imposes a reimbursement charge for these services and uses the revenue to support fire and rescue operations. According to Montgomery County Code Sec. 21-23A, 15% of the net revenue from this program must be allocated to LFRDs, following procedures outlined in annual operating budget resolutions. Since 2022, the County has distributed a total of \$8,671,163 to LFRDs; \$3,351,838 in FY22, \$3,251,837 in FY23, and \$2,067,488 in FY24.

³ The County Council enacted Bill No. 1-25 in April 2025, which renamed this program to be "Emergency Medical Services Insurance Reimbursement Program" (effective July 14, 2025).

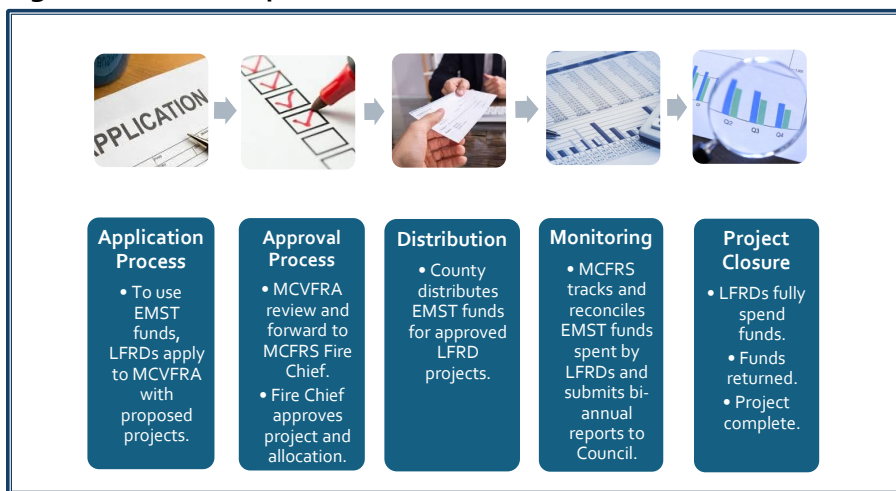
⁴ *MCFRS Policy 03-08* defines apparatus as a vehicle with a specified weight designed to provide fire suppression, rescue, and/or emergency medical services.

To receive EMST funds, LFRDs must submit applications detailing what the funds would be used for. These applications are reviewed and approved by both MCVFRA and the Fire Chief. Once approved, the projects and their funding amounts are formalized through non-procurement agreements between the County and each LFRD. These agreements are governed by Administrative Procedure 2-4 (AP 2-4), which requires MCFRS to monitor how the funds are used to ensure compliance with the agreements.

The County’s operating budget resolutions also establish deadlines for distributing EMST funds. LFRDs are required to spend or encumber their allocated funds within one calendar year of the distribution period stipulated in the agreement. If they do not, the funds must be returned to MCFRS and reallocated by the Fire Chief. For example, the FY23 resolution required that funds collected between July and December 2022 be distributed by April 15, 2023, and spent or encumbered by April 15, 2024⁵. Funds collected from January to June 2023 had to be distributed by October 15, 2023, and spent or encumbered by October 15, 2024⁶.

The process for acquiring EMST funds begins when MCVFRA initiates the application process and LFRDs submit their funding requests. MCVFRA reviews the applications and forwards them to the Fire Chief who is responsible for approving the final allocations. Once approved, agreements are formulated through the County Attorney’s Office, and the funds are distributed to the LFRDs. MCFRS then monitors how the funds are spent and ensures compliance. Fiscal Management’s EMS Billing section (EMS Billing) reconciles expenditures and submits a biannual report to the County Council showing the status of EMST funds spent. See Figure 2 for the EMST fund distribution process. As of April 2025, there were 49 active LFRD contracts using EMST funds for purchases related to facilities maintenance, administrative support, and emergency apparatus.

Figure 2: EMST Request and Distribution Process



⁵ Montgomery County Operating Budget Resolution 19-1285 (<https://apps.montgomerycountymd.gov/BASISOPERATING/Common/Resolutions.aspx>)

⁶ Montgomery County Operating Budget Resolution 20-184 (<https://apps.montgomerycountymd.gov/BASISOPERATING/Common/Resolutions.aspx>)

OIG Audit Approach

Our audit covered various financial activities performed and overseen by Fiscal Management from September 26, 2019, to December 31, 2024. These activities included monitoring EMST projects, EMST-funded contracts adherence to County regulations, and validating P-Card usage. In conducting the audit, we obtained necessary supporting documents, performed walkthroughs with MCFRS personnel, and interviewed representatives of several LFRDs. We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Appendix A contains additional information on this audit's objectives, scope, and methodology.

FINDINGS AND RECOMMENDATIONS

In keeping with the OIG's mandate to conduct reviews of internal accounting and contracting processes and controls used by each department and principal office in the Executive Branch, we conducted this audit to evaluate MCFRS's processes and controls over the monitoring of EMST funds distributed to LFRDs; whether LFRDs are following County regulation and internal MCFRS policies when procuring goods and services; and whether P-Card usage adheres to County policies.

We identified inconsistencies with MCFRS's monitoring and tracking of EMST funds distributed to LFRDs. We also found that LFRDs did not always follow County regulations and internal MCFRS policies when purchasing goods and services; MCFRS P-Card usage and administration did not always comply with the County's Purchasing Card policy and MCFRS's internal processes; and that MCFRS non-local travel was not documented in eTravel⁷ as required by policy.

Finding 1: MCFRS is not consistently monitoring and tracking EMST funds distributed to the LFRDs to ensure spending complies with County procedures.

EMST funds are awarded to LFRDs through the use of non-procurement agreements between the County and LFRDs. These agreements are governed by AP 2-4, Section 6.1.I, that requires MCFRS (the department responsible) to monitor how the funds are spent relative to the agreements. Annual operating budget resolutions stipulate EMST funds must be spent no later than one calendar year after the last date that funds are distributed or be returned to MCFRS and reallocated by the Fire Chief. They also require that MCFRS submit a biannual report to the County Council with the status of EMST spending by LFRD, project, and fiscal year.

EMS Billing oversees the distribution of EMST funds to LFRDs. They provided that they perform quarterly reconciliations of LFRDs' project expenses to track and monitor usage of EMST funds. For these reconciliations, EMS Billing requires LFRDs to submit fund activity spreadsheets⁸ and backup documentation such as copies of invoices, bank statements, and checks to support their expenditures, and proof of encumbrance.⁹ EMS Billing stated that LFRDs usually do not expend their EMST funds within a calendar year because most of their projects take multiple years to complete.

Our testing aimed to validate EMS Billing's overall process for ensuring funds are spent according to agreements and within the stipulated timeframe. In the sample of 40 EMST projects (valued at \$1,202,939) that we evaluated, eight did not contain evidence indicating EMS Billing completed the required review. Additionally, the majority of all sampled projects

⁷ eTravel is the County's online travel tracking system where employees enter non-local travel authorizations.

⁸ MCFRS referred to these spreadsheets as "quarterly reports" in interviews.

⁹ MCFRS defines proof of encumbrance as signed contracts, purchase orders, or written status updates about unspent funds.

were also missing differing levels of support¹⁰, leaving us to question how EMS Billing would have been able to monitor those projects without the documentation. Ultimately, we found that \$380,709.32 (32%) of the \$1,202,939 expended by LFRDs on the 40 EMST projects in our sample could not be fully reconciled with the documentation provided by EMS Billing.

With regard to EMS Billing's oversight of compliance with spending timeframes, we identified that funds related to 32 of the 40 (80%) projects in our sample were not spent, encumbered, or returned within a calendar year as required by annual operating budget resolutions. EMS Billing explained that they permit LFRDs to choose how to reallocate their own unspent and unencumbered funds as long as they are transferred to approved projects. This practice is contrary to annual operating budget resolution mandates requiring that EMST funds be spent, encumbered or returned to MCFRS for reallocation.

Relatedly, we found that MCFRS lacked formal written policies and procedures to monitor how EMST funds are spent by LFRDs and whether funds are used within prescribed timeframes. Similarly, we observed that they lacked standard protocols for LFRDs to follow when submitting support to justify project expenditures. We noted that EMS Billing, recognizing the varied experience and staffing levels within LFRDs, attempts to be flexible when making demands of the LFRDs. Unfortunately, without standard protocols, this also results in them not always receiving the documentation needed to effectively monitor EMST funds allocated to LFRDs.

We also noted that LFRDs received multiple EMST distributions under the same project name (e.g., Administrative Support), making it difficult to distinguish what documents pertained to which project. Assigning unique identifiers to each project may have alleviated some of the associated confusion.

EMS Billing's lack of oversight regarding spending and adherence to established timeframes increases the likelihood of EMST funds being fraudulently spent and hinders MCFRS's ability to allocate resources to higher priority projects directed by the Fire Chief.

Auditor's Note: At the conclusion of this audit, information was brought to light that the MCVFRA believed EMST funds awarded to the MCVFRA were used to cover general expenses not allowable under EMST agreements and the applicable law. This disclosure aligns with and further supports the results of this audit. During our testing, MCVFRA was one of the recipients of EMST funds for whom MCFRS could not provide supporting documentation showing how funds were used or whether the funds remained in their possession. Under Section 21-15 of the County Code, performance audits of any LFRD are permissible at the direction of the County Executive, Chief Administrative Officer, or Fire Chief, as well as the County Fire and Emergency

¹⁰ Missing documents included, but were not limited to, copies of LFRDs' bank statements, invoices, purchase orders, contracts, and checks.

Services Commission and County Council. Considering the breadth of deficiencies identified regarding MCFRS's inability to account for EMST funds, as well as recent disclosures by MCVFRA, we strongly recommend the County audit all EMST awards to LFRDs and the MCVFRA to obtain a full accounting for those funds and ensure adherence to award agreements and County law.

Recommendation 1

We recommend MCFRS:

- a) **Develop and implement written policies and procedures to monitor how EMST funds are spent and ensure adherence to established timeframes.**
- b) **Develop and implement standard protocols for LFRDs to follow when submitting support to justify project expenditures.**

Finding 2: LFRDs did not always follow County regulations and MCFRS policies when purchasing goods and services.

Chapter 21 of COMCOR establishes procedures for the purchasing and contracting of goods and services for fire and rescue corporations that receive tax and grant funds. *MCFRS Policy 03-08*, effective July 15, 2007, provides specific directions for the procurement of fire and rescue apparatus.

Purchasing and Contracting

COMCOR establishes various requirements based on the dollar value of the proposed purchase. It stipulates that "all awards must be based upon the lowest price meeting the minimum valid specifications or scope of work." Purchases below \$1,000 could be approved by a purchasing officer at the LFRDs, while purchases above \$1,000 must be made with the approval of the Corporation's "established review authority" (the chief, president, or board of directors/trustees). Oral quotes from three prospective vendors "should be obtained where possible for purchases not exceeding \$3,000...", while three written bids "must be obtained for purchases of \$3,000 or more."

Through our testing, we assessed 14 purchases whose funding source was EMST funds and found issues with LFRDs meeting most of the COMCOR requirements. Table 1 details our observations. Additionally, we noted that 3 of 14 (21%) used invoices or proposals in place of formal executed contracts with terms and conditions. The purchases were valued at \$32,432, \$62,990 and \$186,909, respectively. Invoices and proposals may not have the same legal protection as formal contracts, thereby posing potential risks. We found no policies delineating

when a contract was needed or what should be included in purchase agreements used in lieu of contracts.

Table 1: Compliance with COMCOR Requirements

Requirement	# Compliant	% Compliant
Lowest Price	1	7%
Purchasing Authority	14	100%
Bid Requirements	2	14%

MCFRS attributed inconsistencies in the LFRD procurement process to a disparity in resources amongst the LFRDs but told us that they are not involved with the LFRDs’ procurements. COMCOR does not define who is responsible for overseeing LFRDs’ procurements, but MCFRS expressed interest in becoming more involved with LFRDs’ procurements and discussed the possibility of creating a policy for LFRDs to follow.

Through our research, we found a manual titled *LFRD Finance and Accounting Manual*, last updated in 2004, that includes mandatory procurement requirements and processes for all LFRDs to follow when procuring goods and services. Fiscal Management told us that the manual is obsolete, but nothing was created in its place. We spoke to representatives from five LFRDs and noted that only two have documented internal procurement procedures. We observed that their procedures had lower dollar thresholds for when to seek competitive bids than County regulations.

Since MCFRS does not provide significant oversight of LFRD procurement processes, the County may be missing an opportunity to ensure that County funds are spent in compliance with County regulations. Not implementing County regulations in the procurement of goods and services could result in wasteful spending of County funds due to a lack of competitive bidding; potentially fraudulent payments to unchecked vendors; inequitable vendor selection; and weakened legal protections.

Acquisition of Apparatus

MCFRS Policy 03-08, effective July 15, 2007, stipulates several key steps that must be taken relative to the purchase of a fire apparatus. We tested the 4 purchases in our sample pertaining to the purchase of apparatus. We again observed several instances of non-compliance with requirements.

For example, the policy requires that the LFRD President provide the Fire Chief with a written notice of the LFRD's intent to purchase the equipment with technical specifications before signing an agreement to acquire the apparatus. We found that three of four (75%) purchases in our sample had support showing that the LFRDs provided written notice to the Fire Chief along with technical specifications. For the one sample that did not have the required support, MCFRS's Division of Support Services for Fleet stated they were aware of this apparatus purchase, but it hadn't been approved in accordance with *MCFRS Policy 03-08*.

The policy also requires that all apparatus must meet or exceed minimum apparatus requirements. MCFRS's Division of Support Services for Fleet shared that all apparatus delivered from a factory undergo several assessments before being placed into service. We found that three of the four apparatus we reviewed did not have documentation showing they met or exceeded minimum apparatus requirements before being placed into service. The remaining apparatus was not yet placed into service and therefore did not require the certification.

Additionally, newly acquired apparatus also must pass inspections by MCFRS's Apparatus Section and Safety Section. We found that only one of the three apparatuses that were placed in service possessed documentation showing that the required inspections had been completed.

Finally, all apparatus must be insured under the MCFRS insurance program. We found that the three applicable apparatus had the requisite insurance.

MCFRS's Division of Support Services for Fleet acknowledged this audit has provided opportunities for process improvements with respect to apparatus purchases by LFRDs and improved record retention. MCFRS's Division of Support Services for Fleet stated that they are working with the Department of General Services to migrate to a new fleet maintenance software system that can store scanned records in January 2026. We noted that any corrections or modifications needed after the apparatus is built can be costly to fix and correct, plus they could cause delays in putting the apparatus into service. Also, having similar and uniform apparatuses can reduce the need for unique training.

Recommendation 2

We recommend MCFRS:

- a) Develop and implement written policies and procedures to monitor LFRD compliance with COMCOR requirements when purchasing goods and services with County-provided funds.**
- b) Draft and implement guidance for LFRDs to follow when procuring goods and services, including methods, policies, and practices.**

c) Develop a formal process to ensure compliance with MCFRS Policy 03-08.**Finding 3: MCFRS P-Card usage and administration did not always comply with the County's Purchasing Card policy and MCFRS's internal processes.**

P-Card usage in the County is governed by the *County's Purchasing Card Policy and Purchasing Card Procedure Manual* (collectively referred to as the P-Card Manual).¹¹ The P-Card Manual has various requirements stating that purchases be made for a proper business expense; submitting detailed receipts for purchases; ensuring Maryland state sales/use tax is not charged; and recording the expense to the appropriate accounting code. MCFRS told us that they also require that a Purchase Approval Request be approved prior to initiating a purchase. Associated support and approvals are documented in PaymentNet¹². Ensuring adherence to these requirements is the responsibility of the Transaction Approver.

To validate P-card purchases complied with County policy, we examined 148 transactions associated with purchases for office and safety supplies, food for standby operations, fuel, and travel expenses. We found seven purchases did not have approvals and one did not have the associated detailed receipt noting what was purchased. After bringing the anomalies to MCFRS's attention, they provided us approval requests for four transactions, including one that was approved after the purchase was made. MCFRS explained that the affected cardholders were under the impression that approval requests were not required.

We also separately tested a sample of 33 transactions associated with local travel for compliance with County policy.¹³ In doing so, we identified 15 transactions for an emergency deployment to South Carolina that were incorrectly coded to the code associated with Metropolitan Area Travel instead of a code associated with non-local travel.

Lastly, we reviewed a sample of 74 transactions related to non-local travel. We found that 12 transactions were made before all required approvals were obtained. For six of the 12 transactions identified, MCFRS provided that they did not notice that the transactions were "stuck" in their SeamlessDocs system¹⁴ until after the trips were completed. Generally, MCFRS classified the issues we identified as oversights by the team responsible for reconciling the department's P-Card transactions.

¹¹ These two manuals related to P-Cards became effective January 1, 2024. The previous iteration of the P-Card manual was titled *The Montgomery County Maryland Purchasing Card Program Policy and Procedure Manual* and was revised March 31, 2017.

¹² The County utilizes the P-Card provider's reconciliation system, PaymentNet, to house associated support and document approvals.

¹³ Administrative Procedure 1-5, Local Travel Guidelines defines local travel as an "area within a 75-mile radius of the County Office Building in Rockville, Maryland. This includes Baltimore and Annapolis."

¹⁴ SeamlessDocs is a web-based application used by MCFRS for routing travel requests to various approvers. As of June 1, 2024, JotForm replaced SeamlessDocs for purchase approvals.

Failure to ensure that all relevant supporting documentation is uploaded into PaymentNet increases the risk that staff could incur unallowable or fraudulent expenses. If receipts or other required supporting documents do not include all necessary information, the County is unable to verify that expenses incurred were valid and appropriate, potentially resulting in misappropriation of County funds. Not ensuring that transactions are posted to the correct accounting code can increase the likelihood of inaccuracies in the County's general ledger.

Recommendation 3

We recommend MCFRS develop a process to ensure that P-Card transactions follow County policies.

Finding 4: MCFRS's non-local travel was not documented and approved in eTravel as required by the County's Non-Local Travel policy.

The County's Non-Local Travel policy¹⁵ states that "all County employees undertaking business related to non-local travel (more than 75 miles from the Executive Office Building) must receive approval prior to traveling and document the trip in eTravel." The policy also requires that "trips must be documented using the eTravel application." MCFRS is often deployed outside of the County boundaries for various reasons including support for an emergency, inspection of a fire and rescue apparatus, and attendance at a conference.

In reviewing a random sample of 74 non-local P-Card transactions from July 1, 2023, through December 31, 2024, we noted that none had documentation or approvals entered into eTravel. The only trip that was entered into eTravel during FY24 and FY25 occurred in February 2025, which is outside the scope of this audit. This issue was identified in other OIG audit reports, and the County recently sent an email reminding employees of the policy to document and publicly report non-local travel in the eTravel portal. MCFRS also stated that they are updating their travel-related internal procedure and finalizing it by fall 2025. Failure to enter travel details in eTravel increases the risk that staff could incur unallowable or fraudulent expenses and could result in reporting errors.

Recommendation 4

We recommend MCFRS develop a process to ensure all non-local travel is recorded in the e-Travel application prior to employees initiating travel.

¹⁵ Non-Local Travel Summary Document, effective March 2024.

OIG COMMENTS TO CHIEF ADMINISTRATIVE OFFICER'S RESPONSE

The County Chief Administrative Officer's response to our report is included in its entirety in Appendix B. The response indicates concurrence with the OIG's recommendations. Appendix C summarizes the CAO's response to our recommendations and the OIG's assessment of the County's progress towards fully implementing the stated actions.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of this performance audit were to:

- 1) Determine whether P-Card transactions were supported by proper documentation and items were purchased for use by the County.
- 2) Determine whether P-Card transactions comply with established County policies and procedures relating to local and non-local travel.
- 3) Assess P-Card transactions to identify the presence of fraudulent, improper, or abusive purchases.
- 4) Evaluate whether LFRDs are following County policies when procuring goods and services.
- 5) Evaluate the implementation of controls over the processing, approval, distribution, and monitoring of EMST funds to LFRDs.

Scope and Methodology

The scope of our audit covered various subject areas and time periods as outlined below:

- 1) All MCFRS cardholders' P-Card transactions within the JP Morgan Chase Bank PaymentNet Reconciliation system (PaymentNet) incurred by transaction date during the period of July 1, 2023, through December 31, 2024.
- 2) All active LFRD specific contracts.
- 3) All LFRD projects that MCFRS has funded with FY2023 EMST reimbursement revenue allocations.

We conducted our fieldwork from April 2025 to July 2025. To accomplish our objectives, we conducted interviews with MCFRS's Fiscal Management Division and multiple LFRDs and their associated Board Members. We also reviewed County and departmental policies and procedures and sampled transactions to test against criteria.

We obtained and reviewed the following criteria for our performance audit:

- 1) Montgomery County Maryland Purchasing Card Program Policy and Procedure Manual, effective March 31, 2017 (P-Card Manual)
- 2) Montgomery County Maryland Purchasing Card Program Policy and Procedure Manual, effective January 1, 2024 (P-Card Manual)
- 3) Administrative Procedure 1-2, Non-Local Travel Guidelines and Related Reimbursements, effective October 21, 2011; and Non-Local Travel Summary Document, effective March 2024
- 4) Administrative Procedure 1-5, Local Travel Guidelines and Related Reimbursements, effective April 13, 2007
- 5) County Code Sec. 21-27. Purchasing and contracting

- 6) County Regulations (COMCOR) 21.02.14 Purchasing, Contracting and Fixed Asset Management Procedure (21.02.14.05 Procedure)
- 7) County Code Sec. 21-23A. Emergency Medical Services Transport Insurance Reimbursement Program
- 8) Non-Procurement Administrative Procedure 2-4 – Agreements between Montgomery County Government and Other Organizations, effective August 14, 2019
- 9) Montgomery County MD Operating Budget Resolution 19-1285
- 10) Montgomery County MD Operating Budget Resolution 20-184
- 11) Other applicable MCFRS policies, procedures, and other related documentation

Objective 1 – P-Card Usage

To determine whether P-Card transactions were supported by proper documentation and purchased for use by the County in accordance with the P-Card Manual, we first met with MCFRS to gain an understanding of current processes. We created a sampling plan for testing and utilized data analysis software to generate a sample size (see Table 2) from a population of all MCFRS P-Card transactions within PaymentNet during the scope period. We used data analysis software to generate a random sample for which we tested against County policies and MCFRS's process.

Additionally, we assessed the population to determine whether single item purchases complied with the \$10,000 purchase threshold per County accounts payable policies. We identified and tested a judgmental sample of five transactions that were over \$10,000. We also identified vendors who had total transactions of \$10,000 or more during our scope period and reviewed the transactions for the vendors to determine if any were split transactions¹⁶.

Objective 2 – P-Card Travel transactions

To test compliance with Administrative Procedure 1-2, Non-Local Travel Guidelines and Related Reimbursements and Non-Local Travel Summary Document, we identified a population of non-local travel by filtering the aforementioned total population from Objective 1 in Table 2. We assessed the reliability of this data by reviewing documentation, tracing 74 randomly selected transactions to source documents, and interviewing Fiscal Management staff.

A similar approach to non-local travel was applied to local travel to test for adherence to Administrative Procedure 1-5, Local Travel Guidelines and Related Reimbursements. We identified a population of local travel by filtering the total population from Objective 1 in Table 2. We assessed the reliability of this data by reviewing documentation, tracing 33 randomly selected transactions to source documents, and interviewing Fiscal Management staff.

¹⁶ A split transaction is defined in the P-Card Manual as "a single item costing more than \$10,000 which is split into multiple to circumvent the \$10,000 limit." It is considered a violation of policy.

Table 2: Sampling Methodology – P-Card Transactions

Population	Population Size	Population \$	Sample Size	Sample \$
All MCFRS P-Card transactions during the scope period	4,486	\$2,249,185	N/A	N/A
MCFRS P-Card transactions during the scope period excluding travel and transactions greater than \$10,000	3,607	\$1,431,938.32	36	\$10,596.36
MCFRS non-travel P-Card transactions greater than \$10,000 during the scope period	16	\$583,808.39	5	\$160,138.29
MCFRS non-local travel transactions during the scope period	819	\$207,554.69	74	\$23,043.35
MCFRS local travel transactions during the scope period	44	\$25,884.54	33	\$22,764.80

Objective 3 – Potentially fraudulent, abusive, and improper P-card purchases.

We also utilized data analysis software to analyze all 4,486 transactions incurred from July 1, 2023, through December 31, 2024, for characteristics of potential fraud, abuse, and improper purchases.¹⁷

Objective 4– LFRD Contracts and Apparatus Acquisition

To evaluate whether LFRDs are following County policies when procuring goods and services, we obtained a list of 49 active LFRD EMST contracts from MCFRS’s Fiscal Management Division. We judgmentally selected a sample size of 12 contracts to test for compliance with County procurement policies and procedures. We assigned a weight to each category and determined the following stratification of our sample: two admin support contracts, four apparatus contracts, and six facilities contracts. We then used data analysis software to randomly select the contracts for testing. Due to an anonymous complaint and associated risks, we then judgmentally selected two additional administrative support contracts from the population to test in a targeted sample. We assessed the reliability of this data by reviewing

¹⁷ We used various data analytic scripts to identify P-Card transactions incurred during our audit scope period exhibiting characteristics of split purchases (a single item costing more than \$10,000, which is split into multiple transactions to circumvent the \$10,000 limit), weekend purchases, excluded merchant category code purchases, questionable vendors, or year-end spending.

documentation, tracing all 14 selected contracts to source documents, and interviewing MCFRS staff plus LFRD staff and Board Members.

For the selected samples, we reviewed documentation to determine whether there was an executed contract; the EMST funding request matched the contract; the contract/request was approved by the appropriate purchasing authority; three oral/written quotes or bids were obtained for the purchase; and if the quote/bid with the lowest price (meeting minimum specifications) was chosen.

To assess the four apparatus contracts for LFRD compliance *with MCFRS Policy #03-08 Apparatus Acquisition*, we reviewed documentation to determine whether a written notice from the LFRD President to the Fire Chief was provided; the apparatus met or exceeded Minimum Apparatus Requirements; technical specifications were provided by the LFRD to the Fire Chief; the apparatus was insured under the MCFRS insurance program; the purchase was appropriately approved; and the delivered apparatus passed inspection by MCFRS.

Objective 5– EMST Funds

We documented the overall process for two EMST projects and identified key steps throughout the project’s lifecycle starting with the application process, followed by MCVFRA and Fire Chief reviews. Once EMST projects are approved, the funds are distributed to the LFRDs and tracking of funds spent is conducted by MCFRS. We focused on the controls over monitoring of EMST funds to LFRDs because we deemed the controls to be more significant.

To evaluate the implementation of controls over monitoring of EMST funds to LFRDs, we obtained the population of all LFRD projects that MCFRS funded with FY2023 EMST reimbursement allocations. The total population consisted of 123 projects totaling \$3,418,753 that were funded to 19 LFRDs and MCVFRA. We randomly sampled 40 projects using data analysis software. The random sample included projects from 16 LFRDs and MCVFRA, with a total disbursement amount of \$1,202,939. Using this random sample, we requested the relevant quarterly reports and backup documentation from MCFRS and assessed project expenses using MCFRS’s reconciliation process.

For the selected samples, we reviewed documentation to determine whether MCFRS reviewed the quarterly reports from the LFRD for a project; the LFRD fully spent or encumbered the distributed amount of EMST funds for the project within one-calendar year of its distribution period; and unspent and unencumbered funds were reallocated to another project or reverted back to MCFRS.

Internal Controls

We assessed MCFRS’s internal controls and compliance with policies and procedures necessary to satisfy our audit objectives. We conducted interviews, walkthroughs, and documentation

reviews to assess whether internal controls related to the applicable types of control activities, separation of duties, and documentation of responsibilities through policies are properly designed and implemented. However, because our review was limited, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B: CHIEF ADMINISTRATIVE OFFICER'S (CAO) RESPONSE

The Chief Administrative Officer provided the following response to our report:



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

Richard S. Madaleno
Chief Administrative Officer

MEMORANDUM

December 16, 2025

TO: Megan Davey Limarzi, Inspector General

FROM: Richard S. Madaleno, Chief Administrative Officer *RSMM*

SUBJECT: Inspector General Confidential Draft Report: Response and Action Plan – Performance Audit of MCFRS Fiscal Management Division (OIG Publication #OIG-26-07)

Thank you for the opportunity to respond to the issues identified in the report. The Montgomery County Fire and Rescue Service (MCFRS) Fiscal Management Division manages and processes the department's procurements and expenditures. They also oversee the distribution of 15% of ambulance billing (or emergency medical service transport (EMST)) net revenue to the 19 local fire and rescue departments (LFRDs), totaling about \$3.5 million annually, which is mainly used to procure needed equipment and apparatus.

We acknowledge that there are opportunities to improve procedures and controls within the Fiscal Management Division pertaining to procurement, contracting, and purchasing. Your report's findings and recommendations will be useful as we continue to improve processes in the future. We are committed to taking appropriate steps to address the report's findings and recommendations, as noted below.

Recommendations 1a: We recommend MCFRS develop and implement written policies and procedures to monitor how EMST funds are spent and ensure adherence to established timeframes.

Response. We concur with this recommendation and by July 1, 2026, will formalize the procedures we use to monitor how EMST funds are spent. Additionally, prior to the audit, MCFRS had worked with Montgomery County Volunteer Fire Rescue Association (MCFVRA) on a policy that is going through the approval process. By July 1, 2026, the policy will be revised to address timelines.

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Recommendation 1b: We recommend MCFRS develop and implement standard protocols for LFRDs to follow when submitting support to justify project expenditures.

Response. We concur with this recommendation. MCFRS will include protocols in the policy revision by July 1, 2026, as well as continuing the current practice of addressing the procedures in quarterly emails to the LFRDs.

Recommendations 2a: We recommend MCFRS develop and implement written policies and procedures to monitor LFRD compliance with COMCOR requirements when purchasing goods and services with County provided funds.

Response. We concur with this recommendation. MCFRS will develop internal procedures by July 1, 2026, to ensure LFRD compliance with relevant COMCOR purchasing requirements.

Recommendation 2b: We recommend MCFRS draft and implement guidance for LFRDs to follow when procuring goods and services, including methods, policies, and practices.

Response. We concur with this recommendation. By July 1, 2026, MCFRS will develop guidance for LFRDs to follow when procuring goods and services, including methods, policies, and practices.

Recommendation 2c: We recommend MCFRS develop a formal process to ensure compliance with MCFRS Policy 03-08.

Response. We concur with this recommendation. The audit made it clear that the relevant records involved in complying with Policy 03-08 were usually only available through emails, and that these records sometimes do not survive personnel transitions due to rotation or retirement. We also believe that Policy 03-08 needs to be rewritten to clarify the steps to the approval process (as well as its documentation) especially in light of how the process to distribute Amoss and ESMT funding has evolved over the last two decades. We will have a new policy in place by the end of calendar year 2026.

Recommendation 3: We recommend MCFRS develop a process to ensure that P-Card transactions follow County policies.

Response. We concur with this recommendation. The MCFRS Fiscal Management Division has implemented the following actions to ensure that P-Card transactions follow County policies:

- The MCFRS Procurement Manual was issued on July 30, 2025, to the department that outlines FRS and County policies and guidelines related to P-Card usage and business-related travel.
- The approval method for Purchase Request Approval (PAR) Requests was moved to the JotForm platform on June 1, 2024, to help alleviate late approvals.

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- The approval method for Travel Approval Requests (TARs) and Travel Expense Voucher requests (TEVs) was moved to the JotForm platform on April 15, 2025, and October 8, 2025, respectively. This will help alleviate late approvals and incorrect account coding.
- An email is sent out to all P-Cardholders for each month's billing cycle with information related to P-Card reconciliation, dos and don'ts of P-Card usage, and any department and County updates regarding the P-Card program.

Recommendations 4: We recommend MCFRS develop a process to ensure all non-local travel is recorded in the e-Travel application prior to employees initiating travel.

Response. We concur with this recommendation. The MCFRS Fiscal Management team implemented a process in July 2025, whereby non-local travel is recorded in the eTravel system prior to employees initiating their travel.

Thank you for bringing these matters to our attention.

cc: Fariba Kassiri, Deputy Chief Administrative Officer, Office of the County Executive
Corey Smedley, Fire Chief, Montgomery County Fire & Rescue Service
Michele El-Gamil, Internal Audit Manager, Office of the County Executive

APPENDIX C: RECOMMENDATION STATUS AND FOLLOW UP

This Appendix provides a summary of the findings and recommendations presented in this report along with the OIG’s assessment of the county’s progress towards addressing the recommendations. The OIG categorizes progress towards implementation into the following 4 status groups:

- Open Unresolved: No management response, inadequate response, or no agreement on corrective action plan.
- Open In Progress: Agreed on planned action, auditee is in the process of implementing stated actions, but no evidence of implementation has yet been provided to the OIG.
- Open Resolved: Auditee provided support to OIG indicating implementation was complete, OIG testing to ensure implementation.
- Closed: Recommendation has been implemented.

Finding #	Finding	Recommendation	CAO Response	Status
1	MCFRS is not consistently monitoring and tracking EMST funds distributed to the LFRDs to ensure spending complies with County procedures.	1a: Develop and implement written policies and procedures to monitor how EMST funds are spent and ensure adherence to established timeframes.	Concur: By July 1, 2026, will formalize the procedures we use to monitor how EMST funds are spent. Additionally, prior to the audit, MCFRS had worked with Montgomery County Volunteer Fire Rescue Association (MCFVRA) on a policy that is going through the approval process. By July 1, 2026, the policy will be revised to address timelines.	Open – In Progress
n/a	n/a	1b: Develop and implement standard protocols for LFRDs to follow when submitting support to justify project expenditures.	Concur: MCFRS will include protocols in the policy revision by July 1, 2026, as well as continuing the current practice of addressing the procedures in quarterly emails to the LFRDs.	Open – In Progress

Finding #	Finding	Recommendation	CAO Response	Status
2	LFRDs did not always follow County regulations and MCFRS policies when purchasing goods and services.	2a: Develop and implement written policies and procedures to monitor LFRD compliance with COMCOR requirements when purchasing goods and services with County-provided funds.	Concur: MCFRS will develop internal procedures by July 1, 2026, to ensure LFRD compliance with relevant COMCOR purchasing requirements.	Open – In Progress
n/a	n/a	2b: Draft and implement guidance for LFRDs to follow when procuring goods and services, including methods, policies, and practices.	Concur: By July 1, 2026, MCFRS will develop guidance for LFRDs to follow when procuring goods and services, including methods, policies, and practices.	Open – In Progress
n/a	n/a	2c: Develop a formal process to ensure compliance with MCFRS Policy 03-08.	Concur: The audit made it clear that the relevant records involved in complying with Policy 03-08 were usually only available through emails, and that these records sometimes do not survive personnel transitions due to rotation or retirement. We also believe that Policy 03-08 needs to be rewritten to clarify the steps to the approval process (as well as its documentation) especially in light of how the process to distribute Amoss and	Open – In Progress

Finding #	Finding	Recommendation	CAO Response	Status
			ESMT funding has evolved over the last two decades. We will have a new policy in place by the end of calendar year 2026.	
3	MCFRS P-Card usage and administration did not always comply with the County's Purchasing Card policy and MCFRS's internal processes.	3: Develop a process to ensure that P-Card transactions follow County policies.	Concur: The MCFRS Fiscal Management Division has implemented actions to ensure that P-Card transactions follow County policies.	Open – In Progress
4	MCFRS's non-local travel was not documented and approved in eTravel as required by the County's Non-Local Travel policy.	4: Develop a process to ensure all non-local travel is recorded in the e-Travel application prior to employees initiating travel.	Concur: The MCFRS Fiscal Management team implemented a process in July 2025, whereby non-local travel is recorded in the eTravel system prior to employees initiating their travel.	Open – In Progress