

**THE STRUCTURE OF LEGISLATIVE OVERSIGHT AT THE FEDERAL,  
STATE, AND LOCAL LEVELS**

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## EXECUTIVE SUMMARY

Legislative oversight is the process by which a legislative body takes an active role in monitoring the performance of publicly funded activities, and applies this knowledge to its three other primary functions: making laws and public policy, setting budgets, and raising revenues. The most often cited objectives of legislative oversight are:

- to evaluate and report information and recommendations for legislative decision making;
- to promote more efficient and effective operations of publicly funded programs;
- to assess and report on compliance with legislative intent; and
- to promote good financial management practices.

In 1975, the Montgomery County Council established the Office of Legislative Oversight (OLO). By law, OLO is an independent legislative branch office with a Council-appointed director. OLO's authority to assess and report back to the Council extends to all agencies and functions for which funds are appropriated or approved by the Council. The Council approves OLO's annual work program, which typically includes a range of financial and performance audits, evaluations, and special studies. OLO also manages the Council's contract for the external financial audit of County Government.

While, the structure and staffing of the legislative oversight function varies at different levels of government and in different locales, the underlying objectives and technical requirements are remarkably similar. Characteristics that make for an effective legislative oversight operation include: structural independence; involvement and support of legislators; public credibility; adequate resources; and ability to access information.

The federal structure of legislative oversight and auditing includes the General Accounting Office, the Congressional Budget Office, numerous House and Senate Oversight Committees, and Inspectors General located within federal agencies. All 50 states have one or more agencies dedicated to legislative oversight or independent auditing. Approximately 2/3 report directly to State legislatures, and 1/3 are elected. The scope of work varies, but most State-level offices conduct a combination of financial statement, economy and efficiency, and program audits; and almost all are authorized to investigate fraud and waste.

The legislative oversight function at the local level is influenced by the underlying structure of government. In jurisdictions surveyed that have a separately elected executive, 75% have an independent oversight/audit office that reports directly to the legislative body; and the rest have an elected auditor or comptroller. Where the auditor is not elected, the legislature almost always appoints the director of the oversight/audit office. At the local level, oversight project ideas originate from multiple sources, including legislators, special audit committees, staff, and individual citizens.

In contrast to legislative oversight, internal auditing is an independent appraisal function established within an enterprise. Internal auditors are employed by the entity that they audit, with the primary function to examine and evaluate their organization's internal control structure and to provide information to senior management about the quality of performance. The staffing and structure of the internal audit function varies within each of the five major County and Bi-County agencies.

This report concludes with recommendations for improving the effectiveness of the Office of Legislative Oversight. Recommendations for the Council to consider concern: adopting a mission statement for the office, ways to improve general office operations, staff training, work program development, staffing, and public visibility of OLO's projects and reports.



## **I. AUTHORITY, SCOPE, ORGANIZATION, AND ACKNOWLEDGMENTS**

### **A. AUTHORITY**

Council Resolution No. 13-223, Office of Legislative Oversight FY 1996 Work Program, adopted July 18, 1995.

### **B. SCOPE AND ORGANIZATION**

This report examines the structure of the legislative oversight function at the federal, state, and local government levels, describes the history of the Montgomery County Council's Office of Legislative Oversight (OLO), and summarizes the current staffing and structure of the internal audit and evaluation function in the five major County and bi-County agencies. It concludes with observations on what factors make for an effective legislative oversight operation, and recommendations to improve OLO's effectiveness. The report is organized as follows:

**Chapter II, Introduction**, provides definitions and discusses the general purpose of the legislative oversight and internal auditing functions.

**Chapter III, The Federal Structure of Legislative Oversight**, reviews the major components of the legislative oversight function at the federal level: the General Accounting Office, the Congressional Budget Office, and the House and Senate Oversight Committees. It concludes with a description of how inspectors general perform the internal audit and evaluation function in federal agencies.

**Chapter IV, The State Structure of Legislative Oversight**, summarizes the results of a national survey of the legislative oversight and audit function at the state level, which was conducted by the National Association of State Auditors, Comptrollers, and Treasurers.

**Chapter V, The Local Government Structure of Legislative Oversight**, presents the results of a survey conducted by OLO on the legislative oversight function in 25 counties and cities.

**Chapter VI, Montgomery County's Structure of Legislative Oversight, Evaluation and Internal Audit**, describes the history and current structure of the Montgomery County Council's Office of Legislative Oversight, and summarizes the current staffing and structure of the internal audit and evaluation function of the County Government, Montgomery County Public Schools, Montgomery College, Maryland-National Capital Park and Planning Commission, and Washington Suburban Sanitary Commission.

**Chapter VII, Observations and Recommendations**, offers concluding observations on what factors make for an effective legislative oversight operation, and provides recommendations for improving the effectiveness of the Council's Office of Legislative Oversight.

### **C. ACKNOWLEDGMENTS**

This project was conducted by Karen Orlansky, Director of the Office of Legislative Oversight (OLO), with assistance from OLO's public administrative interns, Christina Kim and Chris Reeve. OLO extends special thanks to the staff in the many oversight and audit offices we interviewed throughout the course of gathering data for our local government survey.

We also appreciated the contributions from staff who are involved with conducting internal audits and evaluations in the County and Bi-County agencies. Special thanks are owed to: Veronica Kidder and David Bernstein from County Government; Marlene Hartzman from MCPS; William Campbell and Clara Herner from Montgomery College; Trudye Johnson, Edward Navarre and Patricia Colihan from M-NCPPC; and Mel Schwartz from WSSC.

## II. INTRODUCTION

### A. WHAT IS LEGISLATIVE OVERSIGHT?

Legislative oversight is the process by which a legislative body in a representative democracy takes an active role in monitoring the performance of publicly funded activities, and applies this knowledge to its three other primary functions: making laws and public policy, setting budgets, and raising revenues. A legislature must know and understand the operations of government in order to make informed decisions on the laws which it passes and the financial decisions which it makes.

The most often cited objectives of legislative oversight are:

- To compile, evaluate, and report information and recommendations for legislative decision making;
- To promote more efficient operations of publicly funded programs and functions; which means finding ways to accomplish the same tasks at reduced costs;
- To promote more effective operations of publicly funded programs and functions, which means finding ways to better accomplish program and agency objectives;
- To assess and report on whether programs are being implemented in compliance with the intent of the legislature;
- To promote good financial management practices; and
- To meet statutory audit requirements

The following quotes, compiled by the Mississippi Legislature Joint Committee on Performance Evaluation and Expenditure Review (PEER), argue for the role and importance of the legislative oversight function in a representative democracy:

*A legislative body - be it the British House of Commons, or either house of Congress, or a state legislature - is endowed with the investigative power in order to obtain information, so that its legislative functions may be discharged in an enlightened rather than a benighted basis.  
(Telford Taylor, Grand Inquest)*

*The power of the general assembly to obtain information on any subject upon which it has power to legislate, with a view to its enlightenment and guidance, is so obviously essential to the performance of legislative functions that it has always been exercised without question. (14 Gray 226 MASS. 1859)*

*It is the proper duty of a representative body to look diligently into every affair of government and to talk much about what it sees. It is meant to be the eyes and the voice, and to embody the wisdom and will of its constituents. . . The informing function of Congress should be preferred even to its legislative function. The argument is not only that discussed and interrogated administration is the only pure and efficient administration, but more than that, that the only really self-governing people is the people which discusses and interrogates its administration. (Woodrow Wilson, Congressional Government, 1885)*

For the purposes of this study, legislative oversight refers to the full scope of activities by which legislators evaluate and monitor programs. Many oversight projects incorporate elements of the different types of reviews to produce a comprehensive assessment of a particular program or function. Generally accepted definitions of the most common types of oversight projects are:

**A financial audit or fiscal review** determines through financial records whether public funds are being legally spent and properly controlled.

**An economy and efficiency review** (also called a management or operations audit) examines whether an entity is managing and using its resources economically and efficiently. If performance/output can be increased without additional costs, then the conclusion is that program resources could be used more efficiently.

**A program or performance evaluation** determines the extent to which the desired results or benefits, established by the legislature or other authorizing body, are being achieved. Results that are consistent with established objectives indicate that a program is being implemented effectively.

**A compliance audit** determines whether an entity has complied with specified policies, procedures, laws, regulations or contracts.

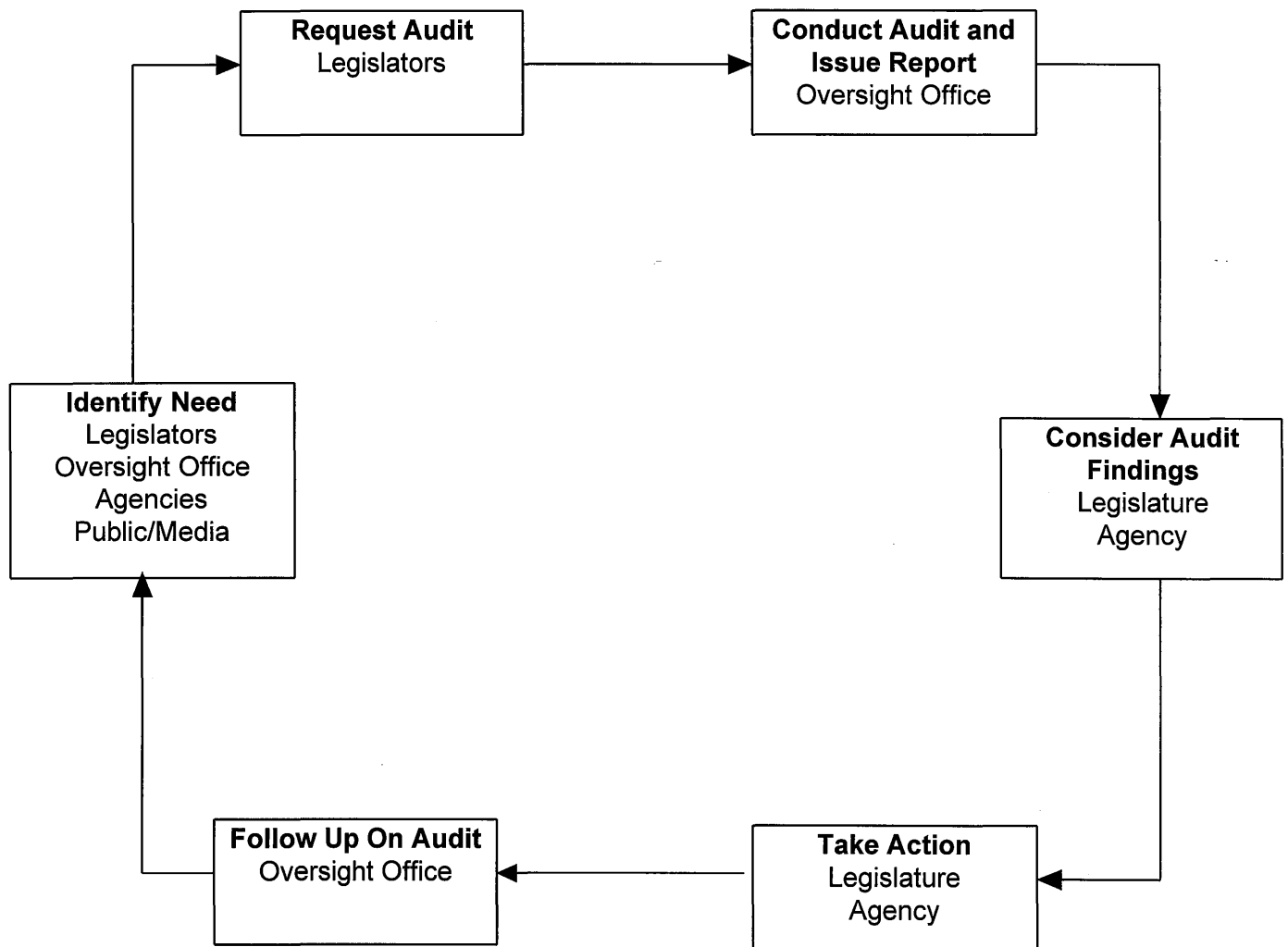
In addition to these more formal types of reviews, oversight staff frequently perform other types of assignments, such as:

- Compile background information or data to assist legislators with a particular legislative or budget decision;
- Investigate the facts and circumstances surrounding a specific decision or event;
- Perform special budget and/or fiscal analysis;
- Compile comparative or benchmark data; and
- Coordinate oversight activities with other components of the legislative and budget process.



In practice, just as the legislative and budget processes are continuous, so are most legislative oversight efforts. The diagram below illustrates the oversight function as a continuous process.

### **The Oversight Function as a Continuous Process\***



\* Adapted from annual report of the Legislative Division of Post Audit, State of Kansas.

## **B. WHAT IS INTERNAL AUDITING?**

The 1995 edition of the Standards for the Professional Practice of Internal Auditing, published by the Institute for Internal Auditors (IIA), defines internal auditing as follows:

Internal auditing is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. The audit objectives include promoting effective control at reasonable cost.

Internal auditors are employed by the enterprise that they audit and function under policies and procedures established by the organization itself.. According to the IIA, the primary function of internal auditors is to examine their organization's internal control structure and evaluate how adequate and effective it is, and to provide information to senior management about the quality of performance. In order to accomplish this task, internal auditors may conduct financial audits, compliance audits, and/or performance audits that address economy and efficiency issues as well as financial and compliance audit objectives.

Most internal audit offices adhere to the Standards for the Professional Practice of Internal Auditing, which are developed by the Internal Auditing Standards Board and published by the Institute for Internal Auditors. This volume sets forth criteria by which the operations of an internal auditing department can be measured and evaluated.

The independence of internal auditors comes from a combination of their organizational status - - where they report within the organization - - and their objectivity. One of the standards established by the Institute of Internal Auditors is that internal auditors should have no authority or responsibility for the activities they audit. In addition, internal auditors should be objective in performing audits and not be placed in situations where they feel unable to make objective professional judgments.

Federal, state, and local governments employ auditors that frequently act as both internal and external auditors. When they are assigned to audit the government agency or department that employs them, they function as internal auditors. When they are assigned to audit recipients of government funds, they function as external auditors.

**In sum, legislative oversight differs from internal audit in that:**

- A legislative oversight unit reports to the legislature while internal auditors are employed by the enterprise that they audit;
- The primary objective of a legislative oversight unit is to assist legislators monitor the performance of publicly funded activities, while the primary objective of an internal audit unit is to assist senior managers of an organization effectively do their job;
- In most cases, a legislative oversight evaluation, audit, or special study results in a public document discussed by legislators in a public forum, while most internal audit products are used within an organization and not intended for public discussion; and
- The independence of legislative evaluators comes from the fact that they have no financial interest or obligation to the program or function under study, while the independence of internal auditors comes from a combination of their organizational status (i.e., where they report within the organization) and their objectivity.

### **III. THE FEDERAL STRUCTURE OF LEGISLATIVE OVERSIGHT**

This chapter reviews the major components of the legislative oversight function at the federal government level: the General Accounting Office, the Congressional Budget Office, and the House and Senate Oversight Committees. It concludes with a description of how inspectors general perform the internal audit and evaluation function in federal agencies.

#### **A. UNITED STATES GENERAL ACCOUNTING OFFICE**

##### **1. Establishment and Mission**

Congress established the United States General Accounting Office (GAO) in 1921 as part of an overall effort to modernize federal budgeting and accounting practices. In return for creating the Bureau of the Budget (now the Office of Management and Budget) to centralize the executive branch budgeting function in the Office of the President, Congress created the GAO as an independent legislative branch agency to monitor and audit federal expenditures.

Title III of the Budget and Accounting Act of 1921 created GAO to be "independent of the executive departments and under the control and direction of the Comptroller General of the United States". GAO's stated mission is to "achieve honest, efficient management and full accountability throughout government." Known as Congress' watchdog, GAO's role is to examine the adequacy of financial and management controls over the operations of government agencies and programs, and to produce information for Congress on the effectiveness, efficiency, and economy of government activities.

##### **2. Appointment and Term of Director**

The GAO is headed by the Comptroller General of the United States, who is appointed by the President for a 15-year term. Congress participates in the selection of the Comptroller General by providing a list of proposed candidates from which the President chooses and by confirming the appointment.

The Comptroller General may be removed by a joint resolution of Congress, after notice and hearing. The criteria for removal is, when in the judgment of Congress, the Comptroller General has "become permanently incapacitated or has been inefficient, or guilty of neglect of duty, or of malfeasance in office or of any felony or conduct involving moral turpitude."

### **3. Origin and Types of Projects**

Most of GAO's studies are conducted as the result of a congressional request, either from a committee, a sub-committee, or an individual legislator. The remainder of GAO's work is mandated by law or initiated from within the agency. GAO also operates a telephone hotline that is open for complaints or recommendations from the public.

An annual work plan, organized by issue area, is reviewed and updated regularly in response to changing events and needs of Congress. GAO staff work directly with congressional staff to further define the scope and time table for individual projects.

GAO conducts financial and performance audits, program evaluations, and special policy analyses. In general, the scope of specific GAO projects are structured to determine whether federal agencies are:

- properly accounting for the resources Congress provides,
- conducting their programs efficiently and effectively,
- complying with applicable laws and regulations,
- controlling fraud and abuse, and/or
- achieving results intended for the programs they manage.

By law, the Comptroller General is also responsible for promulgating generally accepted standards for audits of government activities, programs, and functions, and of government assistance received by non-governmental organizations. These standards, known as the "GAGAS", the Generally Accepted Government Auditing Standards, set forth requirements for factors such as the auditors' professional qualifications, the quality of audit effort, and the characteristics of audit reports.

## **B. CONGRESSIONAL BUDGET OFFICE**

### **1. Mission**

The Congressional Budget Office (CBO) is an independent, legislative branch office staffed by professional, non-partisan staff. CBO's primary mission is to provide the Congress with information, analyses, and options relating to the budget and the economy. Specifically, CBO provides information on:

- the budget, appropriation bills, and other bills authorizing or providing budget authority or tax expenditures;
- revenues, receipts, estimated future revenues and receipts, and changing revenue conditions; and
- related issues as requested by Congress.

## **2. Appointment and Term of Director**

The CBO Director is appointed jointly by the Speaker of the House of Representatives and the President Pro Tempore of the Senate, after consideration of recommendations from the two budget committees. The CBO Director's term is four years, and there is no limit on the number of terms that an individual can serve as director.

The CBO Director may be removed at any time by resolution of either the House of Representatives or the Senate.

## **3. Workplan and Types of Activities**

Some of CBO's activities are assigned by law, while others are carried out at the request of Congressional committees. According to the Congressional Budget Act, CBO must give priority to requests in the following order:

1. requests for services from the House and Senate Budget Committees
2. requests from the House and Senate Appropriations Committees
3. requests from all other Congressional committees

CBO also prepares various types of analyses for individual legislators, including cost estimates for bills that members have introduced or plan to introduce. Committee requests, however, always have priority.

Economic Forecasts: CBO is the only legislative branch entity whose mandate includes making economic forecasts and projections. CBO's forecasts cover 18-24 months and involve the major economic variables, including the GNP, unemployment, inflation, and interest rates. CBO draws the information for its forecasts from the major econometric models and commercial economic forecasting services. CBO also relies on the advice of a distinguished panel of advisers who meet twice a year.

Baseline Budget Projections: The purpose of CBO's biannual budget projections is to give Congress a baseline for measuring the effects of proposed changes in taxing and spending laws. The House and Senate Budget Committees use these projections to develop annual budget resolutions and directives to other committees. CBO also uses them to produce cost estimates for proposed legislation.

Deficit Reduction Options Report: Every year, CBO prepares a report that presents various strategies for reducing the deficit, including revenue options for Congress to consider. Congress uses the report to develop deficit reduction proposals and to educate the public about the difficult choices that must be made.

Analysis of the President's Budget: CBO analyzes the President's budget each year to see how its revenue and spending proposals would affect the CBO baseline projections. Officials from CBO often testify before Congressional committees about the outlook for the economy and the budget.

## **C. HOUSE AND SENATE OVERSIGHT COMMITTEES**

### **1. Establishment and Mission**

The 1946 Legislative Re-organization Act mandates that House and Senate committees exercise "continuous watchfulness of the execution by the administrative agencies of any laws under their jurisdiction." Since that time, Congress has passed several measures affecting committee oversight activities including the 1970 Legislative Reorganization Act, which requires most committees to issue oversight reports every two years.

Committees in the House of Representative with more than 20 members are required to either set up an oversight subcommittee or require their legislative committees to carry out oversight functions. While regular subcommittees can only carry out oversight within their limited jurisdictions, subcommittees set up specifically to conduct oversight usually can operate within the full committee's jurisdiction - a much broader mandate.

Eleven House committees have special oversight subcommittees: Armed Services; Banking, Finance and Urban Affairs; Energy and Commerce; Interior and Insular Affairs; Merchant Marine and Fisheries; Post Office and Civil Service; Public Works and Transportation; Science, Space and Technology; Select Intelligence; Veterans' Affairs; and Ways and Means. In addition, there are four committees whose function is implicitly oversight: Appropriations, Budget, District of Columbia, and Government Operations. Since 1977, Senate committees have also been granted "comprehensive policy oversight" responsibilities, comparable to the special oversight mandate in the House.

### **2. Committee Oversight Techniques:**

Congressional committees use a number of different techniques to carry out their oversight function:

- Program authorizations are seen as Congress' most effective oversight tool; and especially annual authorizations that allow for frequent reviews of agency performance.
- Hearings are the most common and recurring tools of Congressional oversight; hearings provide a forum to discuss what the goals of legislative action are and what legislative action needs to be taken.
- Special investigations are used to focus Congressional concern on a particular program or issue.
- Committees request the General Accounting Office to conduct special audits or evaluations of agencies and programs.
- Committees request executive agencies to submit periodic reports on program implementation.

- The Senate appointment confirmation process provides Congress with the power to reject a president's nominee for a high-level administration position.

## **D. INSPECTORS GENERAL IN FEDERAL AGENCIES**

### **1. Establishment and Mission**

Congress adopted the Inspector General Act (Public Law 95-452) in 1978. This law established inspectors general in 12 federal agencies with the following mission:

- To conduct and supervise audits and investigations related to programs and operations of the agencies;
- To provide leadership and coordination and recommend policies for activities designed to promote economy, efficiency, and effectiveness in the administration of programs and operations, and to prevent and detect fraud and abuse; and
- To provide a means for keeping the head of the agency fully informed about problems and deficiencies relating to the administration of programs and operations, and about progress of corrective action.

To accomplish this mission, the Inspector General Act provides the inspectors general with the authority to initiate audits and investigations, and authority to access all required audit material.

Since 1978, the number of federal agencies (cabinet and sub-cabinet level) with inspector generals has been expanded from 12 to 38. The law was also amended to prohibit an inspector general from having any program responsibilities. This prohibition responded to the concern that it could create an actual or perceived conflict of interest for an inspector general to exercise certain operational responsibilities, such as budget approval.

### **2. Appointment of Inspectors General**

Each inspector general is appointed by the President and confirmed by the Senate. On a day-to-day basis, the inspector general is directly responsible to the agency head. However, to provide the inspector general with a marked degree of independence, the agency head is specifically proscribed from taking any action that would prevent the inspector general from initiating, carrying out, or completing any audit or investigation.



The Inspector General Act holds that inspector general appointments should be made solely on the basis of integrity and ability and without regard to political affiliation. The President is not required to have cause before removing an inspector general, but Congress expects that there would be some justification (Report on Establishment of Office of Inspectors and Auditors General in Certain Executive Departments and Agencies, August 8, 1978, 95th Cong., 2d session).

### **3. Reports to Congress and GAO Reviews**

To further enhance the independence of the position, each inspector general is required by law to submit semi-annual reports to Congress. The purpose of these reports is to:

- Describe significant problems, abuses or deficiencies in agency operations and programs and the recommendations for corrective action;
- Identify important recommendations described in previous reports on which corrective action has not been completed;
- Identify matters referred to prosecuting authorities and resulting convictions; and
- List each audit report completed by the inspector general during the previous six-month period.

These semi-annual reports are given to the head of the agency no later than April 30 and October 31 of each year. The reports must then be given to the appropriate committees or subcommittees of Congress within 30 days after receipt of the report along with a report by the head of the agency containing any comments deemed necessary.

In addition, the law requires that each inspector general must prepare a special report when informed of particularly serious problems or abuses. In these cases, the head of the agency is required to send copies to appropriate congressional committees no later than seven days after receiving the report.

At Congressional request, the General Accounting Office (GAO) conducts reviews of inspector general offices. The scope of a GAO review varies, but typically examines whether the inspector general's office is in compliance with the Inspectors General Act and that work is being performed in compliance with generally accepted auditing standards. GAO has also examined compliance with standards adopted by the President's Council on Integrity and Efficiency.

#### **4. Annual Work Plan**

Individual inspectors general have authority to develop their own annual work plan. Programs and activities are usually selected for review in consultation with the agency head, and most often are programs which are expanding, heavily funded, or otherwise of special interest. Similar to the GAO, many of the inspector general offices operate telephone hotlines which are open to complaints or recommendations from the public. These hotlines were developed so that citizens can directly call an agency and report relevant information about suspected criminal activities as well as administrative weaknesses involving federal expenditures.

Inspector general offices categorize their work assignments as audits, operations reviews, or investigations. The Inspector General Act requires that the federal inspectors general comply with the Generally Accepted Government Auditing Standards (GAGAS) established by the Comptroller General. These standards define financial and performance auditing as follows:

- Financial auditing provides an independent opinion on whether an entity's financial statements present fairly the results of financial operations, and whether other financial information is presented in conformity with established or stated criteria.
- Performance auditing provides an independent view on the extent to which government officials are faithfully, efficiently, and effectively carrying out their responsibilities.

Operations reviews are defined as general management reviews of how well a single organization entity is performing its functions. Operations reviews differ from an audit in that they are conducted over a shorter time period with the assistance of the agency staff, are limited in scope, and may not meet all government auditing standards. Investigations performed by inspectors general include investigations based on complaints regarding possible violations of law or of standards of conduct, allegations of conflict of interest, theft, false statements, favoritism, nepotism, conspiracy to defraud, and gambling.

## **IV. THE STATE STRUCTURE OF LEGISLATIVE OVERSIGHT**

The Council of State Governments for the National Association of State Auditors, Comptrollers and Treasurers periodically conducts a comprehensive survey of the legislative oversight and independent auditing function at the state level. The most recently published results of this survey provide data from 57 agencies in the 50 states.

This chapter is divided into two parts:

**Part A** summarizes some of the major findings from the 1992 survey of state legislative oversight and independent audit agencies. For reference, Appendix A contains a number of the charts from the 1992 survey results.

**Part B** describes in more detail the characteristics of the State of Maryland's legislative auditor.

### **A. SUMMARY OF SURVEY RESULTS**

#### **1. Legal basis for office**

Of the 57 legislative oversight and audit agencies surveyed, the legal basis for 10 is constitutional and the legal basis for 22 is statutory. The legal basis for the other 25 is both constitutional and statutory.

#### **2. Organizational structure of office**

33 of the 57 agencies surveyed report directly to the legislature or a legislative committee. 17 (most of which are elected) report only to the public. The other seven report to another public official or to a combination of officials and members of the public.

#### **3. Selection of agency head**

33 heads of state audit agencies are selected by either the legislature or a legislative committee. Five heads of audit agencies are appointed by state officials or boards/commissions other than the legislature. 19 heads of state audit agencies are elected by the voters of the state.

#### **4. Term of office**

For the 33 agency heads selected by the legislature or legislative committee, the term of office is most often indefinite and the agency head serves at the pleasure of the entity that made the selection. The number of consecutive years in office for the agency heads ranges from one year to 37 years.

Of the 19 agency heads that are elected, 18 are elected to a four-year term and one is elected to a two-year term.

## **5. Civil service/merit system**

None of the agency heads surveyed are civil service or merit employees. Most have some level of restriction concerning outside employment, relating to independent appearance and/or conflict of interest. Ten report being prohibited from serving on boards and commissions, while 29 report being required (because of their position) to serve on certain state boards and commission.

## **6. Removal of agency head**

21 of the agencies surveyed report that the agency head can be removed by impeachment, and 22 report that the agency head can be removed through action by the legislature or legislative committee. Two report that the agency head can be removed by either the secretary of state or the governor.

The reported causes for removal were: misconduct (22 agencies), incompetence (8 agencies); and "just cause" (22 agencies). Although not consistently defined, "just cause" can include neglect of duty, malfeasance, and/or committing a misdemeanor or a felony.

## **7. Scope of legislative oversight and audit work at the state level**

- 45 of the 57 agencies surveyed audit all state agencies (many along with external CPA firms under contract)
- 46 agencies perform financial statement audits; 33 perform economy and efficiency audits and 32 perform program audits. 28 perform audits of compliance only and 14 perform sunset audits/reviews. Other types of audits mentioned are fraud/investigative audits and special studies.
- Typical reasons for using CPA firms to audit state agencies include lack of staff, independence concerns, the requirement for special expertise, and statutory requirements.
- 52 state audit agencies have the authority to investigate fraud, waste, abuse and/or illegal acts. 14 states operate a hotline for citizens to register complaints.
- 55 state audit agencies have procedures for follow up on audit findings. 27 are required to take corrective action on audit findings.

## **8. Local government work**

The local government work of the state level auditing agencies varies considerably. Four reported performing between 1 and 50 financial statement audits at the local level, six between 51 and 100, and eight reported performing more than 100. Only three agencies reported conducting economy and efficiency and/or program audits at the local level.

## **9 Size and composition of agency staff**

The size of agency staffs surveyed range in size from 15 (Vermont) to 710 (Florida). 52 agencies have Certified Public Accountants on staff; 41 have Electronic Data Processing specialists; 30 have staff attorneys; 29 have Certified Internal Auditors on staff; 10 agencies have staff statisticians; and 6 have staff economists.

## **10. Release of reports**

43 of the agencies surveyed have the authority to release all reports independently before they are reviewed by any other official or group. Some agencies are required to submit their reports to a committee or other state entity before their release. 54 agencies indicated that their reports are considered public documents. 42 agencies automatically release all audit reports to the press.

## **B. CHARACTERISTICS OF MARYLAND'S LEGISLATIVE AUDITOR**

- The Legislative Auditor function is established by state law as a separate unit within the Department of Fiscal Services.
- The Legislative Auditor is appointed to an indefinite term of office by the Director, Department of Fiscal Services, with approval by the President of the State Senate and Speaker of the House of Delegates.
- The Legislative Auditor reports directly to the Director, Department of Fiscal Services. Although the Director of the Department of Fiscal Services exercises administrative control of the Legislative Auditor's office, audit decisions are left to the Legislative Auditor.
- The Legislative Auditor's reports are issued to the Joint Budget and Audit Committee of the General Assembly and the Director of the Department of Fiscal Services.
- The Legislative Auditor can be removed for inefficiency, neglect of duty, or misconduct in office by the Director of the Department of Fiscal Services, with approval of the President of the Senate and Speaker of the House.
- The current annual operating budget for the Legislative Auditor is about \$6 million. The staff consists of approximately 100 professional auditors.
- The Legislative Auditor audits all state agencies on an agency by agency basis ( on a two year cycle) except for the legislative branch, which is audited by an independent CPA firm. A CPA firm under contract with the State Comptroller audits the statewide General Purpose Financial Statements. (Note: There is state legislation pending in the 1996 session to increase the cycle from two to three years.)

- The Legislative Auditor performs: financial statement audits, financial compliance audits, economy and efficiency audits, and program audits. The Legislative Auditor has statutory authority to investigate fraud, but the Attorney General is responsible for any legal action to be taken.
- By law, the Legislative Auditor specifies local government auditing standards and local government accounting principles. All local governments in Maryland are required by law to have annual opinion audits conducted by independent CPAs. These audit reports are submitted to the Legislative Auditor for review. The Legislative Auditor prepares an annual report to the General Assembly and State Comptroller that summarizes the local government audit results.
- In general, the Legislative Auditor does not directly perform audits of cities, counties, or school districts in the state, but does conduct desk reviews of audit reports and quality control reviews of audit work.
- The Legislative Auditor conducts special follow-up field reviews to determine agency compliance with report items. The Auditor presents audit findings during legislative budget hearings. The Joint Budget and Audit Committee also provides oversight regarding audit report findings.
- Reports of the Legislative Auditor are issued by the Legislative Auditor and released to the public by the Director, Department of Fiscal Services. The reports are public documents and include responses from the audited entity.

## **V. THE LOCAL GOVERNMENT STRUCTURE OF LEGISLATIVE OVERSIGHT**

This chapter examines the structure and staffing of the legislative oversight and audit function at the local government level:

**Part A** reviews the highlights of OLO's survey of the legislative oversight/audit function in 25 counties and cities; and

**Part B** contains summary tables of the survey results. An index to the tables referenced in Part A is on page 26a.

### **A. HIGHLIGHTS OF OLO'S SURVEY OF COUNTIES AND CITIES**

#### **1. Description of Survey**

The Office of Legislative Oversight (OLO) conducted a survey of 25 counties and cities to find out how different local governments structure the legislative oversight and internal audit functions. We selected jurisdictions based on factors such as location, population, annual operating budget, local government structure, and audit/oversight reputation. Our objective was to obtain information from a sample of local government jurisdictions, including a reasonable number of:

- local governments in jurisdictions with populations comparable to Montgomery County;
- local governments with annual operating budgets comparable to Montgomery County;
- local governments that have a structural separation of powers between the executive and legislative branches of government; and
- local governments in the Washington-Metropolitan area.

In addition, we wanted to include some other counties and cities that are known (through organizations such as the National Association for Local Government Auditors) for taking an innovative approach to legislative oversight or for producing high quality audit and evaluation reports.

Table 1 shows the populations and annual operating budgets of the counties and cities surveyed. In sum, of the 25 local governments surveyed:

- 16 have populations over 500,000; and another five have populations between 350,000 and 500,000;
- 15 have annual operating budgets over \$1 billion; and another five have annual operating budgets between \$500 million and \$1 billion; and
- Seven of the 15 counties surveyed are in Maryland or Virginia.

## **2. The Structural Location of the Legislative Oversight and Audit Function**

How a local government approaches the legislative oversight and internal audit functions is influenced by a number of factors, including the underlying structural separation of powers between the legislative and executive branches of government.

Table 1 summarizes the local government structure in the 25 jurisdictions surveyed:

- 12 jurisdictions (9 counties, 3 cities) have a clear structural separation of powers between the executive and legislative branches of government. In these places, similar to Montgomery County, the chief executive (county executive or mayor) is separately elected at large and does not sit as a member of the legislative body, i.e., county council, city council, board of supervisors.
- 13 jurisdictions (6 counties, 7 cities) have less of a structural separation of powers between the executive and legislative branches of government. In these places, the elected members of the legislature (i.e., county council, city council) appoint the chief administrator (i.e., county manager, city manager). If there is a separately elected council president or mayor, he/she sits as the presiding officer of the legislative body.

Table 2 outlines the structural location of the oversight/audit office(s) in the 25 local governments surveyed. The data indicate that the most common structural location of the oversight/audit office is an independent office that reports directly to the legislative body. This holds true for the jurisdictions in our survey with a strong separation of executive/legislative powers as well as for the jurisdictions where the council appoints the chief administrator. In places where the oversight/audit function does not report directly to the legislative body, there is either an elected auditor or comptroller, or the jurisdiction has a county or city manager ("weak mayor") form of government. Specifically:

- Of the 12 jurisdictions surveyed with a strong separation of powers between the executive and legislative branches of government, nine places (like Montgomery County) have an oversight/audit office that reports directly to the legislative body as a whole or to a standing audit committee that includes elected legislators. The other three places have an elected auditor or comptroller that performs the oversight/audit function.
- Of the 13 jurisdictions surveyed where the county or city council appoints the county/city manager: seven places also have an oversight/audit office that reports directly to the legislative body; three have an elected auditor or comptroller, two (Cincinnati and Phoenix) have internal audit offices that report to the city manager, and one (Frederick County) has an internal audit office that reports to an interagency authority.



#### COMPOSITION OF AUDIT COMMITTEE

In the counties and cities surveyed where the oversight/audit function reports directly to an Audit Committee, the composition of that committee varies.

In Kansas City, Phoenix, and Wayne County, the Audit Committee is a standing committee of legislators. In Fairfax County, Seattle, and Suffolk County, the composition of the Audit Committee is as follows:

**Fairfax County, VA:** The Audit Committee consists of five members: three members of the Board of Supervisors and two private citizens. The Board of Supervisors appoints the Audit Committee Chair, plus one Board member from each political party represented among the Board's membership. Board members appointed to the Audit Committee identify and recommend for appointment by the full Board the two additional citizen members.

**Seattle, WA::** The Audit Committee consists of the Mayor, the President of the City Council, the Chair of the City Council's Finance Committee, and the City Comptroller.

**Suffolk County, NY:** The Audit Committee consists of the County Comptroller, the Deputy County Executive for Finance, and the Director of the Budget Review Office.

#### EXECUTIVE BRANCH INTERNAL AUDIT OFFICES

Of the nine jurisdictions surveyed that, similar to Montgomery County, have a strong separation of executive and legislative powers and an oversight office that reports to the legislative body, there is one that also has an executive branch staff office dedicated to internal auditing. In three others, executive branch staff manage the contract for the external audit of financial statements. (Chapter VI includes a description of the structure and staffing of the internal audit function within each of the five major Montgomery County and Bi-County agencies.)

In King County, Washington, the Internal Audit Office was recently relocated from the Department of Finance to the Office of Budget and Strategic Planning. In Baltimore County, Prince George's County, and Wayne County, while there is no separate office dedicated to internal auditing, an executive branch office (either Finance, OMB, or the County's Executive's office) manages the contract for the annual external audit of the jurisdiction's financial statements.

For the other seven jurisdictions where the county or city council appoints the city manager and there is an oversight/audit office that reports to the legislative body, only one jurisdiction (Fairfax County) also has an executive branch office dedicated to the internal audit function. In Fairfax, the internal audit section, similar to Montgomery County, is also located within the Department of Finance.



### 3. Defining the Mission

Many legislative oversight and audit offices have formal mission statements, outlined either in law or in published office documents. The consistent theme among the statements reviewed is to promote efficiency, effectiveness, and accountability of local government by providing independent, unbiased, and useful information to elected officials, citizens, and local government management. Below are excerpts from mission statements of different legislative oversight/audit offices.

**Fairfax County (VA):** Working under the guidance and direction of the Audit Committee, the Financial and Programs Auditor to the Board of Supervisors serves the public interest by providing accurate information, unbiased analysis, and objective recommendations that assist the Board in its oversight of County programs, management, and expenditures.

**Howard County (MD):** The Office of the County Auditor supports the County Council in meeting citizens' needs for quality government services. We promote government accountability by providing independent and objective feedback to the County Council on County programs, activities, and functions.

**City of Jacksonville (FL):** The mission of the Office of the Council Auditor is to improve the accountability and effectiveness of local government by actively providing independent and informative services to the City Council and the citizens of Jacksonville.

**King County (WA):** King County's Auditor's Office performs high quality, independent and objective analysis in a professional manner while conducting financial and management audits and special studies to assist the County Council in its oversight of County government operations.

**Kansas City (MO):** The mission of the City Auditor's Office is to be a catalyst for improving City Government. The goal of our work is to improve the management and conduct of City programs and activities by evaluating performance and identifying ways to make programs more efficient and effective.

**Multnomah County (OR):** The Multnomah County Auditor's mission is to increase the efficiency, effectiveness, and accountability of Multnomah County Government. The Auditor's vision is that County departments are achieving their visions in the most efficient and effective manner possible.

**Orange County (FL):** The mission of the County Audit Division in Orange County is to provide responsive, effective and efficient governmental services, as specified in the State constitution and governing statutes, to the citizens of Orange County.

**City of Portland (OR):** The mission of the Audit Services Division is to promote honest, efficient, effective, and fully accountable City government. To fulfill this mission, the Division audits and evaluates City operations to provide useful and objective information to citizens, City Council and management.

**City of San Jose (CA):** The goals of the Office of the City Auditor are to promote accountability to the public and to improve the economy, efficiency, and effectiveness of City government. Our mission is, at the direction of the City Council, to conduct or cause to be conducted financial and program performance reviews of City departments, offices, and agencies in accordance with applicable auditing standards. Our principal objective is to identify \$3 in savings or increased revenue for every \$1 of audit cost.

**City of Seattle (WA):** The purpose of the Office of the City Auditor is to assist the City and its citizens in achieving honest, efficient management and full accountability throughout the City government.

**Wayne County (MI):** The mission of the Wayne County Auditor General is to act as an independent, full service appraisal function to examine and evaluate County activities in order to improve the accountability for public funds and to improve the operations of County government for the benefit of the citizens of the County of Wayne.

#### **4. Director: Appointment and Term**

Table 3 contains information on the appointment and term of the oversight/audit director. The survey data indicate of the 25 local governments surveyed, except where the auditor/comptroller is elected, the oversight/audit director is most often appointed by the legislative body. Specifically:

- In six of the 25 jurisdictions surveyed, the auditor or comptroller is elected directly by the citizens.
- Where the auditor is not elected, the director of the oversight/audit function is almost always appointed by the legislative body, i.e., county council, city council, board of supervisors. (16 out of 19 places, or 85%)
- In one place (Phoenix), the City Auditor is an appointee of the City Manager; and in another (Cincinnati), the Internal Audit Manager is a merit system position.
- In Frederick County, the Director of Internal Audit serves at the pleasure of the Interagency Internal Audit Authority.

In all six places surveyed where the auditor or comptroller is elected, the term length is four years. In the majority of other jurisdictions where the oversight/audit director serves at the pleasure of the legislative body, there is not a fixed term of office. In places where the director's term is fixed, the term length ranges from two to ten years. In all jurisdictions with a fixed term, the director is eligible for re-appointment, except for in Wayne County where the Legislative Auditor General is appointed to a ten year term and is not eligible for re-appointment.

## **5. Where do Project Ideas Originate?**

Table 4 summarizes data on where oversight/audit project ideas originate and what entity approves the annual oversight/audit work plan.

Data from the 25 counties and cities surveyed show that:

- In 12 jurisdictions, like Montgomery County, the legislative body as a whole approves the annual work plan. This includes Portland where the auditor is elected.
- In 8 places, the oversight/audit director has final authority to approve the annual work plan. This includes 4 places where the auditor is elected.
- In 4 places, an audit committee (consisting of a subcommittee of legislators and in some cases some citizen members) approves the annual work plan. This includes one place (Suffolk County) where the auditor is elected.
- In Frederick County, the Interagency Audit Authority approves the work plan.

Project ideas originate from multiple sources in all 25 of the counties and cities surveyed:

- All 25 report that some projects are required by law;
- All 25 report that some projects originate from their respective councils or boards and other projects originate from oversight/audit staff;
- 18 report receiving project ideas from individual legislators and 16 report receiving project ideas from a committee of legislators;
- 20 report that some project ideas originate from executive staff; and
- 18 report that some project ideas originate directly from individual citizens. Five of these jurisdictions operate a telephone hotline that is open to receive public complaints or recommendations.

## **6. Types of Projects**

Table 5 summarizes the types of projects conducted by the oversight/audit office in the 25 jurisdictions surveyed. The data show that:

- All 25 conduct financial audits and performance audits;
- 23 report they have the authority to conduct investigations; and
- 12 conduct electronic data processing (EDP) audits.

In addition, almost all (22 out of 25) report that their work plan includes "special projects" meaning assignments that don't necessarily meet the classic definitions of audits of investigations. For example, similar to OLO's work plan, other oversight/audit offices are frequently asked to take on special budget, fact finding, or research projects.

Table 5 also identifies what office in each jurisdictions is responsible for managing the annual external audit of financial statements. The data show that this responsibility is assigned either to the local government oversight audit office (8 jurisdictions); the Audit Committee (3 jurisdictions); an executive branch office such as Finance or OMB (11 jurisdictions); or the state (3 jurisdictions). The assignment of responsibility for the external financial audit does not appear to correlate with whether there is a strong separation of powers between the executive and legislative branches of government.

In addition to audits, evaluations, and special studies, some legislative oversight/audit staff are responsible for other work that supports the ongoing business of their respective legislative bodies. Based on OLO's survey, the most common additional responsibility is to provide staff support in the budget area. For example, in some places, the legislative oversight/audit staff provides fiscal notes for proposed bills and/or also has lead responsibility for analyzing annual agency budget requests.

## **7. Number of Staff Positions**

The number of staff working in oversight/audit offices in the 25 jurisdictions surveyed ranges from 1 (Loudoun County) to more than 30 (Philadelphia). Table 6 summarizes information on the number of staff positions in four categories: 1-2 positions; 3-7 positions; 8-14 positions; and more than 15 positions.

The comparative value of the staffing data is limited because of the different sizes (populations and budgets) of the local governments surveyed. In addition, as discussed earlier, the various oversight/audit offices have different responsibilities. Because the scope of responsibilities varies, the number of staff positions do not consistently reflect the number of staff dedicated to performing the same duties.

While varying job responsibilities is a more difficult variable to account for, it is possible to break-down the staffing data by budget size. For the 15 jurisdictions surveyed with annual operating budgets over \$1 billion, 10 report 15 or more staff positions and four report 8-14 staff positions. Fairfax County's oversight office that reports to the Board of Supervisors has three positions and Fairfax County's internal audit office that report to the County Manager has 8-14 positions.

For the five jurisdictions with annual operating budgets between \$500 million and \$1 billion, two report 15 or more staff positions; one reports 8-14 staff positions; and two report 3-7 positions.

For the five jurisdictions with annual operating budgets under \$500 million, one reports 8-14 staff positions; two report 3-7 staff positions; and two report having only 1-2 positions.

## B. SURVEY TABLES

The following tables summarize the results of OLO's survey of the legislative oversight/audit function in 25 counties and cities. For consistency, tables 2 through 6 divide the jurisdictions according to the underlying structure of government and separate out those jurisdictions with an elected auditor/comptroller. ***For simplicity, the elected local government legislative body is generically referenced in the table headings as the "Council".***

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**TABLE 1**

**POPULATION, ANNUAL BUDGET AND LOCAL GOVERNMENT STRUCTURE**

**A: Survey Counties**

Jurisdiction	1990 Population in 000's	1995 Annual Operating Budget			County Government Structure	
		\$100m- \$500m	\$500m- \$1b	Over \$1b	Elected Council and: Elected County Executive	Council Appointed County Manager/ Administrator
Anne Arundel County, MD	427		X		X	
Baltimore County, MD	692			X	X	
Erie County, NY	964			X	X	
Fairfax County, VA	819			X		X
Frederick County, MD	150	X				X
Howard County, MD	187	X			X	
King County, WA	1,507			X	X	
Los Angeles County, CA	8,863			X		X
Loudoun County, VA	66	X				X



## POPULATION, ANNUAL BUDGET AND LOCAL GOVERNMENT STRUCTURE

### A: Survey Counties (continued)

Jurisdiction	1990 Population in 000's	Annual Operating Budget			County Government Structure	
		\$100m- \$500m	\$500m- \$1b	Over \$1b	Elected Council and: Elected County Executive	Council Appointed County Manager/ Administrator
Montgomery County, MD	757			X	X	
Multnomah County, OR	364		X			X
Orange County, FL	678			X		X
Prince George's County, MD	729			X	X	
Snohomish County, WA	466	X			X	
Suffolk County, NY	1,330			X	X	
Wayne County, MI	2,112			X	X	

## POPULATION, ANNUAL BUDGET AND LOCAL GOVERNMENT STRUCTURE

### B: Survey Cities

Jurisdiction	1990 Population in 000's	1995 Annual Operating Budget			City Government Structure	
		\$100m- \$500m	\$500m- \$1b	Over \$1b	Elected Council and: Elected Mayor who does not sit on Council	Elected Mayor sits on Council as Presiding Officer*
Cincinnati, OH	538		X			X
Dallas, TX	1,007			X		X
Jacksonville, FL	635			X	X	
Kansas City, MO	177		X			X
Oklahoma City, OK	445	X				X
Philadelphia, PA	1,585			X	X	
Phoenix, AZ	983			X		X
Portland, OR	437		X			X
San Jose, CA	782			X		X
Seattle, WA	519			X	X	

\*Cincinnati, Dallas, Kansas City, Oklahoma City, Phoenix, and San Jose all have Council Appointed City Managers. Portland reported that they have no City Manager.

**TABLE 2**

**STRUCTURAL LOCATION OF THE LEGISLATIVE OVERSIGHT AND INTERNAL  
AUDIT FUNCTIONS**

**A: Counties/Cities With Separately Elected Executive/Mayor\***

Jurisdiction	Legislative Branch Oversight/Audit Office		Executive Branch Internal Audit Office	
	Office Name	Structural Location	Office Name	Structural Location
Anne Arundel County, MD	County Auditor's Office	Independent office that reports to County Council	None**	
Baltimore County, MD	Office of the County Auditor	Independent office that reports to County Council	Department of Finance manages external audit	
Howard County, MD	Office of the County Auditor	Independent office that reports to County Council	None**	
King County, WA	King County Auditor's Office	Independent office that reports to County Council	Executive Internal Audit Office	Office of Budget and Strategic Planning
Montgomery County, MD	Office of Legislative Oversight	Independent office that reports to County Council	Internal Audit Section	Dept. of Finance, Director's Office
Prince George's County, MD	Office of Audits and Investigations	Independent office that reports to County Council/Audit Committee	Office of Management and Budget manages external audit	

\*Except for jurisdictions with elected auditor/comptroller; see section C of this chart

\*\*No executive branch office dedicated to internal audit function.

## STRUCTURAL LOCATION

### A (cont.): Counties/Cities With Separately Elected Executive/Mayor\*

Jurisdiction	Legislative Branch Oversight/Audit Office		Executive Branch Internal Audit Office	
	Office Name	Structural Location	Office Name	Structural Location
Snohomish County, WA	Council Internal Audit	Independent office that reports to County Council	None**	
Wayne County, MI	Office of Legislative Auditor General	Independent office that reports to County Council	County Executive's office manages external audit	
Jacksonville, FL	Office of the Council Auditor	Independent office that reports to City Council	None**	
Seattle, WA	Office of the City Auditor-Seattle Legislative Department	Independent office that reports to City Council	None**	

\*Except for jurisdictions with elected auditor/comptroller; see section C of this chart.

\*\*No executive branch office dedicated to internal audit function

## STRUCTURAL LOCATION

### B: Counties/Cities With Appointed Manager as Executive\*

Jurisdiction	Oversight/Audit Office	
	Office Name	Structural Location
Fairfax County, VA	Office of Financial and Programs Audit**	Independent office that reports to Board of Supervisors and Audit Committee
Frederick County, MD	Internal Audit Department	Independent office that reports to the Internal Interagency Audit Authority
Los Angeles County, CA	Department of Auditor-Comptroller	Independent office that reports to the Board of Supervisors
Loudoun County, VA	Inspector General's Office	Independent office that reports to the Chair of the Board of Supervisors
Cincinnati, OH	Internal Audit Division	Independent office that reports to the office of the City Manager
Dallas, TX	Office of the City Auditor	Independent office that reports to the City Council
Kansas City, MO	Office of the City Auditor	Independent office that reports to the City Council
Oklahoma City, OK	Office of the City Auditor	Independent office that reports to the City Council
Phoenix, AZ	City Auditor Department	Independent office that reports to the City Manager
San Jose, CA	Office of the City Auditor	Independent office that reports to the City Council

\*Except for jurisdictions with elected auditor/comptroller; see section C of this chart

\*\*Fairfax County also has an internal audit section within its Dept. of Finance.

### C: Counties/Cities With Elected Auditor/Comptroller

Jurisdiction	Elected Position	Audit Office Name
Erie County, NY	Comptroller	Division of Internal Audit
Orange County, FL	Comptroller	County Audit Division
Suffolk County, NY	Comptroller	Department of Audit
Multnomah County, OR	Auditor	Office of the County Auditor
Philadelphia, PA	Comptroller	Auditing Department
Portland, OR	Auditor	Audit Services Division

# TABLE 3

## APPOINTMENT AND TERM OF DIRECTOR

### A: Counties/Cities With Separately Elected Executive/Mayor\*

Jurisdiction	Director's Title	Appointed By	Term
Anne Arundel County, MD	County Auditor	County Council	indefinite - serves at the pleasure of the Council
Baltimore County, MD	County Auditor	County Council	indefinite - serves at the pleasure of the Council
Howard County, MD	County Auditor	County Council	indefinite - serves at the pleasure of the Council
King County, WA	County Auditor	County Council	4 years - eligible for reappointment
Montgomery County, MD	Director, Office of Legislative Oversight	County Council	4 years - eligible for reappointment
Prince George's County, MD	County Auditor	County Council	indefinite - serves at the pleasure of the Council
Snohomish County, WA	Internal Auditor	County Council	indefinite - serves at the pleasure of the Council
Wayne County, MI	Legislative Auditor General	County Commissioners	10 years - not eligible for reappointment
Jacksonville, FL	City Auditor	City Council	indefinite - serves at the pleasure of the Council
Seattle, WA	City Auditor	City Council	6 years - eligible for reappointment

\*Except for jurisdictions with elected auditor/comptroller; see section C of this chart.

## APPOINTMENT AND TERM OF DIRECTOR

### B: Counties/Cities With Appointed Manager as Executive\*

Jurisdiction	Title	Appointed By	Term
Fairfax County, VA	Auditor to the Board	Board of Supervisors	indefinite - serves at the pleasure of the Board
Fredereick County, MD	Director, Internal Audit	Interagency Internal Audit Authority	indefinite - serves at the pleasure of the Board
Los Angeles County, CA	Auditor-Comptroller	Board of Supervisors	indefinite - serves at the pleasure of the Board
Loudoun County, VA	Inspector General	Board of Supervisors	indefinite - serves at the pleasure of the Board
Cincinnati, OH	Internal Audit Manager	City Manager	indefinite - merit system position
Dallas, TX	City Auditor	City Council	2 years - eligible for reappointment
Kansas City, MO	City Auditor	City Council	indefinite - serves at the pleasure of the Council
Oklahoma City, OK	City Auditor	City Council	indefinite - serves at the pleasure of the City Council
Phoenix, AZ	City Auditor	City Manager	indefinite - serves at the pleasure of the City Manager
San Jose, CA	City Auditor	City Council	4 years - eligible for reappointment

\*Except for jurisdictions with elected auditor/comptroller; see section C of this chart.

### C: Counties/Cities With Elected Auditor/Comptroller

Jurisdiction	Director's Title	Term
Erie County, NY	County Comptroller	4 Years
Orange County, FL	County Comptroller	4 Years
Suffolk County, NY	County Comptroller	4 Years
Multnomah County, OR	County Auditor	4 Years
Philadelphia, PA	City Comptroller	4 Years
Portland, OR	City Auditor	4 Years

**TABLE 4**

**Where do Project Ideas Originate?**

**A: Counties/Cities With Separately Elected Executive/Mayor\***

<b>Jurisdiction</b>	<b>Work Plan Approved By:</b>	<b>Statutory Requirements</b>	<b>Full Council/Board</b>	<b>Committee of Legislators</b>	<b>Individual Legislators</b>	<b>Executive Staff</b>	<b>Audit Staff</b>	<b>Citizens</b>
Anne Arundel County, MD	County Auditor	X	X	X	X	X	X	
Baltimore County, MD	County Council	X	X		X		X	
Howard County, MD	County Council	X	X		X	X	X	
King County, WA	County Council	X	X	X	X		X	X
Montgomery County, MD	County Council	X	X	X	X	X	X	
Prince George's County, MD	County Council	X	X	X	X	X	X	X
Snohomish County, WA	County Council	X	X		X	X	X	X
Wayne County, MI	County Commission	X	X			X	X	
Jacksonville, FL	Council Auditor	X	X	X	X	X	X	X
Seattle, WA	City Auditor	X	X	X	X	X	X	X

\* Except for jurisdictions with elected auditor/comptroller; see section C of this chart.



## Where Do Project Ideas Originate?

### B: Counties/Cities With Appointed Manager as Executive\*

Jurisdiction	Work Plan Approved By:	Statutory Requirements	Full Council/ Board	Committee of Legislators	Individual Legislators	Executive Staff	Audit Staff	Citizens
Fairfax County, VA	Audit Committee	X	X	X	X	X	X	X
Frederick County, MD	Interagency Internal Audit Authority	X	X	X	X	X	X	X
Los Angeles County, CA	Board of Supervisors	X	X	X	X	X	X	X
Loudoun County, VA	Board of Supervisors	X	X	X	X	X	X	X
Cincinnati, OH	Audit Advisory Committee	X	X	X	X	X	X	
Dallas, TX	City Council	X	X	X		X	X	X
Kansas City, MO	Office of the City Auditor	X	X	X	X		X	
Oklahoma City, OK	City Council	X	X	X			X	
Phoenix, AZ	City Manager/ Audit Committee	X	X	X	X	X	X	X
San Jose, CA	City Council	X	X	X	X	X	X	X

\*Except for jurisdictions with elected auditor/comptroller; see section C of this chart.

## Where Do Project Ideas Originate?

### C: Counties/Cities With Elected Auditor/Comptroller

Jurisdiction	Work Plan Approved By:	Statutory Requirements	Full Council/ Board	Committee of Legislators	Individual Legislators	Executive Staff	Audit Staff	Citizens
Erie County, NY	County Comptroller	X	X	X		X	X	
Multnomah County, OR	County Auditor	X	X		X	X	X	X
Orange County, FL	Audit Division/ Comptroller	X	X			X	X	X
Suffolk County, NY	Audit Committee	X	X			X	X	X
Philadelphia, PA	City Comptroller	X	X			X	X	X
Portland, OR	City Council	X	X	X	X		X	X

**TABLE 5**

**TYPES OF PROJECTS**

**A: Counties/Cities With Separately Elected Executive/Mayor\***

Jurisdiction	Types of Oversight/Audit Projects					Who Manages External Audit of Financial Statements?
	Financial	Performance	Computer (EDP)	Investigations	Special Projects	
Anne Arundel County, MD	X	X	X		X	County Auditor's Office
Baltimore County, MD	X	X		X	X	Executive Branch-Department of Finance
Howard County, MD	X	X	X	X	X	Audit Office
King County, WA	X	X		X	X	State Auditor's Office
Montgomery County, MD	X	X		X	X	Office of Legislative Oversight (manages financial audit of County Govt. only)
Prince George's County, MD	X	X	X		X	Executive Branch-Office of Management and Budget
Snohomish County, WA	X	X			X	State Auditor's Office
Wayne County, MI	X	X	X	X	X	County Executive's Office
Jacksonville, FL	X	X		X	X	Council Auditor
Seattle, WA	X	X		X	X	State Auditor's Office

\*Except for jurisdictions with elected auditor/comptroller; see section C of this chart.

## TYPES OF PROJECTS

### B: Counties/Cities With Appointed Manager as Executive\*

Jurisdiction	Types of Oversight/Audit Projects					Who Manages External Audit of Financial Statements?
	Financial	Performance	Computer (EDP)	Investigations	Special Projects	
Fairfax County, VA	X	X		X	X	Department of Finance
Frederick County, MD	X	X	X		X	Accounting Office
Los Angeles County, CA	X	X		X	X	Audit Division and Accounting Division
Loudoun County, VA		X		X	X	Accounting Office
Cincinnati, OH	X	X		X	X	Department of Finance
Dallas, TX	X	X	X	X	X	City Auditor's Office
Kansas City, MO	X	X		X	X	Executive Branch-Department of Finance
Oklahoma City, OK	X	X	X	X	X	Department of Finance
Phoenix, AZ	X	X	X	X	X	City Auditor's Office
San Jose, CA	X	X	X	X	X	City Auditor's Office

\*Except for jurisdictions with elected auditor/comptroller; see section C of this chart.

## TYPES OF PROJECTS

### C: Counties/Cities With Elected Auditor/Comptroller

Jurisdiction	Types of Oversight/Audit Projects					Who Manages External Audit of Financial Statements?
	Financial	Performance	Computer (EDP)	Investigations	Special Projects	
Erie County, NY	X	X	X	X	X	Audit Committee (2 legislators, 3 private individuals and Dep. Comptroller
Orange County, FL	X	X	X	X		Executive Branch-Finance Department
Suffolk County, NY	X					Audit Office/Comptroller's Office
Multnomah County, OR	X	X				County Auditor/County Audit Committee
Philadelphia, PA	X	X	X	X	X	City Council
Portland, OR	X	X		X	X	City Auditor's Office

## D: Counties/Cities With Executive Branch Internal Audit Office/Section

Jurisdiction	Types of Oversight/Audit Projects Conducted by Internal Audit Office/Section					Who Manages External Audit of Financial Statements?
	Financial	Performance	Computer (EDP)	Investigations	Special Projects	
Cincinnati, OH	X	X		X	X	Department of Finance
Fairfax County, VA	X	X		X	X	Department of Finance
King County, WA	X	X		X		State Auditor's Office
Montgomery *County, MD	X	X	X		X	Office of Legislative Oversight

\*The work plan for the Internal Audit Section is developed by the staff and approved by the Director, Dept. of Finance.

**TABLE 6**  
**NUMBER OF STAFF POSITIONS**

**A: Counties/Cities With Separately Elected  
Executive/Mayor\***

Jurisdiction	Number of Legislative Oversight/Audit Office Staff Positions			
	1-2	3-7	8-14	More than 15
Anne Arundel County, MD		X		
Baltimore County, MD				X
Howard County, MD		X		
King County, WA				X
Montgomery County, MD		X		
Prince George's County, MD			X	
Snohomish County, WA	X			
Wayne County, MI				X
Jacksonville, FL				X
Seattle, WA			X	

\*Except for jurisdictions with elected auditor/comptroller; see section C of this chart.

## NUMBER OF STAFF POSITIONS

### B: Counties/Cities With Appointed Manager as Executive\*

Jurisdiction	Number of Oversight/Audit Office Staff Positions that Report to Council				Number of Internal Audit Staff Positions that Report to Appointed Manager/Executive			
	1-2	3-7	8-14	More than 15	1-2	3-7	8-14	More than 15
Fairfax County, VA		X					X	
Frederick County, MD		X						
Los Angeles County, CA				X				
Loudoun County, VA	X							
Cincinnati, OH						X		
Dallas, TX				X				
Kansas City, MO				X				
Oklahoma City, OK			X					
Phoenix, AZ				X				
San Jose, CA				X				

\*Except for jurisdictions with elected auditor/comptroller; see section C of this chart.

### C: Counties/Cities With Elected Auditor/Comptroller

Jurisdiction	Number of Oversight/Audit Office Staff Positions			
	1-2	3-7	8-14	More than 15
Erie County, NY			X	
Multnomah County, OR			X	
Orange County, FL				X
Suffolk County, NY				X
Philadelphia, PA				X
Portland, OR				X



## **VI. MONTGOMERY COUNTY'S STRUCTURE OF LEGISLATIVE OVERSIGHT, EVALUATION, AND INTERNAL AUDIT**

This chapter is organized as follows:

**PART A** reviews the legislative history of the Montgomery County Council's Office of Legislative Oversight (OLO), outlines OLO's current budget, staffing, and work plan, the Charter requirements for the annual independent financial audit of County Government, and the oversight role of the Council's Management and Fiscal Policy Committee.

**PARTS B through F** describe how the five major County and Bi-County agencies (County Government, Montgomery County Public Schools, Montgomery College, Maryland-National Capital Park and Planning Commission, and Washington Suburban Sanitary Commission) structure and staff the internal audit and evaluation function within their respective agencies.

### **A. MONTGOMERY COUNTY COUNCIL'S OFFICE OF LEGISLATIVE OVERSIGHT**

#### **1. Legislative History**

##### THE COUNCIL ESTABLISHED THE OFFICE OF LEGISLATIVE OVERSIGHT BY LAW IN 1975

In 1975, the Council enacted legislation (Bill 25-75) to establish the Office of Legislative Oversight. Codified as County Code Chapter 29A, the law outlining the powers, duties, and general practices of the Office is little changed from the original version enacted more than 20 years ago.

There have been two substantive amendments to Chapter 29A since 1975. In 1985, the Council adopted Bill 70-83, which changed the term of the Director to start in the second year of each four-year Councilmanic term, and expanded the list of duties assigned by law to OLO. In 1991, the Council enacted Bill 63-91 to clarify that the projects assigned to OLO could include special program and budget analyses.

Copies of County Code Chapter 29A, Legislative Oversight, and the section of Chapter 1A which outlines the appointment of the Director of the Office of Legislative Oversight, are attached as Appendix B.

##### FOR WHAT PURPOSE WAS THE OFFICE OF LEGISLATIVE OVERSIGHT CREATED?

The legislative record indicates that the Council created the Office of Legislative Oversight (OLO) in the mid-1970's to assist the Council in performing its legislative oversight function. The Councilmembers who sponsored the legislation argued that by establishing a legislative branch office to focus on evaluating the performance of publicly funded activities, the Council would be able to make more informed legislative and budget decisions. In particular, the reasons cited for creating the Office of Legislative Oversight included:

- **Provide the Council with a mechanism for independent review and evaluation of programs and activities.** Time limitations on Councilmembers and Council staff made it impossible for them to investigate and evaluate programs and activities themselves. In many cases, the Council had to rely on review and evaluation by the very officials responsible for the programs and activities in question. The Office of Legislative Oversight was perceived as a tool for providing the Council with accurate information, unbiased analysis, and independent recommendations.
- **Focus on the extent of government's effectiveness and efficiency in carrying out public policy set by the County Council.** Due to the expanded scope, complexity and cost of County and Bi-County agencies and the increasing needs and demands of County residents, the Council felt the need to enhance its ability to make decisions that improve the judicious use of public funds and resources.
- **Increase public awareness of County responsibilities and increase public confidence that the Council is always seeking ways to get the most from public resources.** The Council felt that there was an ever increasing need to be sure that the manner in which certain programs and activities are operated as intended by the Council and in the best interests of County residents.

#### SUMMARY OF PUBLIC TESTIMONY ON BILL 25-75

At the public hearing held on Bill 25-75, the major reasons cited in favor of establishing the Office of Legislative Oversight were:

- The legislative oversight function was well established at the federal level and was being increasingly relied upon at the state, county, and municipal levels. The findings and recommendations of such oversight could easily be documented and have contributed to important management and statutory improvements in the public sector throughout the country.
- Oversight projects could include working with agencies and executives to be sure that there is meaningful quantification of what is being produced and how much it is costing, which should improve budget decision making.
- Current evaluation efforts were inadequate and a legislative oversight office could undertake program reviews on an ongoing basis--not just at budget time.
- An oversight office would ideally complement executive branch management by providing ongoing oversight action on the part of the legislative body in order to produce the efficiency of operation that both the Council and Executive desire.
- "Independent" evaluation is necessary because the bureaucracy lacks the capability of self-termination. An individual reporting to the Council might lose objectivity when reporting on a program instituted by that same legislative body. The Council should not be dependent on program staff for the information it needs to monitor them.

- The growing evidences of financial crises at the federal, state, and local government levels of public administration demonstrated that provisions for more adequate safeguards and systems of review and evaluation were long overdue.
- The professional nature of the County Executive and many program managers would be enhanced by having independent review because they would not be the only advocates of their effectiveness.
- The Council is responsible for authorizing public moneys and a thorough accounting is due the public. An oversight office could help the Council provide for more effective, efficient and economical use of taxpayers' money.

The major reasons cited at the public hearing opposed to establishing the Office of Legislative Oversight were:

- A new office would add to the tax burden to perform a function that was already the responsibility of elected County officials. One citizen testified that the proposal implied that no evaluations were presently being made.
- A legislative oversight office could not really be "independent" of the Council in its review and evaluation since the Council would appoint its personnel and approve its work program.
- The proposal to create a legislative oversight function resulted from a mistrust of different layers of government and would lead to a watch-dog watching other watch-dogs mentality, which the taxpayers would ultimately wind up paying for with few results in the long run.
- Every major decision of the Council should be made on the basis of an evaluation to determine its effect on the welfare of the people--making the establishment of a separate oversight office unnecessary.
- It was unlikely that any department of reasonable size could, in a timely fashion, review and evaluate the many agencies and departments of the County Government.
- As an alternative to establishing a new office, one citizen suggested that for each department, agency, or activity, a non-political citizen task force could be appointed to conduct whatever analysis or evaluation is needed, with staff support provided by existing County employees.

#### COUNCIL WORKSESSION ON BILL 25-75

During the Council's worksession on Bill 25-75, Councilmembers discussed the issues raised at the public hearing. The resulting amendments to Bill 25-75 are summarized below.

The Council determined that the Office of Legislative Oversight Director should not be a Merit System employee, and that certain procedures must be developed to protect the independence of the office. Bill 25-75 was amended to provide that the OLO director is appointed for a fixed term of four years, and that the Council may dismiss the director before the end of his/her term only for "good cause". Before dismissing the director, the law provides that the Council must tell the director the Council's reasons, provide the director with the opportunity of a public hearing, and then issue a written decision to the director.

The Council discussed the section of the bill which outlines the office's access to records and information. The Council amended the legislation to clarify that OLO shall have access to and the right to examine any "pertinent books, documents, papers or records necessary to carry out its responsibilities".

The Council also:

- added a provision to prohibit retaliation against employees who cooperate with members of the office;
- added a provision that the office will develop professional standards for the conduct of its work; and
- added a provision that would enable the office to hire consultants as necessary, in accordance with appropriations made by the Council.

## **2. Current OLO Staffing and Work Program**

As indicated above, the basic structure of the Office of Legislative Oversight (OLO) is essentially unchanged from when it was established by the Council in 1975. This section outlines OLO's FY 96 budget and staffing, and describes the current practices for developing and approving OLO's work program. It is followed by an explanation of OLO's responsibility to manage the Council's contract for the external financial audit of County Government and the special oversight role of the Council's Management and Fiscal Policy Committee.

**a. Staffing and budget.** OLO's FY 96 staff consists of 5.5 workyears: a director, two legislative oversight program evaluators, one part-time (0.8 workyear) executive administrative aide, one full-time public administration intern, and one part-time (0.75 workyear) public administration intern. The FY 96 office budget is \$429,320, of which 95% is for personnel expenses. The budget includes \$10,000 for outside professional services.

OLO also manages the non-departmental account for the external financial audit of County Government. For FY 96, this non-departmental account contains \$172,000.

OLO continues to be an independent legislative branch office that reports directly to the Council for decision making and budget purposes. However, because of OLO's size as a small office, for administrative efficiencies, OLO staff use the same automation system as the Council office and share some overhead and service functions with the central Council staff, e.g., copy machine, fax machine, meeting rooms.

**b. OLO Director.** Consistent with Chapter 29A, the OLO Director is a non-merit appointee of the County Council. Since the office was established in 1975, there have been two directors. The first OLO director served from January 1976 until September 1994, and the second director has served since September 1994. The current director was re-appointed in January 1996 to a four-year term that expires in January 2000.

**c. OLO Annual work plan.** In accordance with Chapter 29A, the OLO Director submits a recommended annual work program to the Council. In 1994, the timing of OLO's annual work program was changed from a calendar year to a fiscal year basis.

OLO's proposed new projects originate from a combination of statutory requirements, Council Committee requests, individual Councilmember requests, and staff recommendations. The work program also includes follow-up staff work related to recently completed OLO projects, and OLO's ongoing responsibilities assigned by law to serve as the contract manager for the Charter-required external financial audit of County Government (described below) and to manage the contract for the Special Personnel Investigator.

As summarized in the previous chapter, OLO's work program typically includes a mix of assignments: performance reviews, program evaluations, financial audits, and special budget, fact-finding, or research projects. In recent years, the Council has increasingly focused OLO's work on inter-agency issues and projects that have significant fiscal impact. Appendix C contains OLO's FY 96 Work Program, as approved by the Council.

The Council's Management and Fiscal Policy Committee holds a worksession on OLO's recommended work program and forwards a Committee recommendation on the proposed work program to the full Council. The full Council approves OLO's work program in the form of a Council resolution. Significant adjustments to OLO's work program during the fiscal year are also made by Council resolution.

OLO provides mid-year and end-of-year status reports to the Council, which summarize the status of the projects approved on OLO's work program. In response to the Council's request, the status reports track what Committee and full Council action was taken during the reporting period on OLO's reports and memorandums.

### **3. The Council's Contract for the Annual Independent Financial Audit of County Government and Oversight Role of the Council's Management and Fiscal Policy**

As indicated above, the Council's Management and Fiscal Policy (MFP) Committee holds a worksession on OLO's proposed work program and develops a Committee recommendation on the office work program for Council review and approval. The MFP Committee also reviews and develops a recommendation to the Council on OLO's annual budget request. In addition, the MFP Committee performs a special role with respect to the Charter-required annual financial audit of County Government.

Section 315 of the County Charter requires the Council to "contract with, or otherwise employ, a certified public accountant to make annually an independent post-audit of all financial records and actions of the County, its officials and employees." By law

(Chapter 29A), the Office of Legislative Oversight serves as the contract administrator for the Council's contract with the independent certified public accountant.

The scope of the auditor's contract includes audits of the County Government's financial records, the 18 fire corporations and one rescue squad, the Emergency 9-1-1 System, the County's Federal Transit Act Grant, and a single audit of federal grant moneys.

The Council's procedures for the selection of the independent external auditor are set forth in a Council Resolution 12-154 (most recently amended in 1991). This resolution authorizes the Council's Management and Fiscal Policy Committee to perform the functions of the contractor qualification and selection committee for review and evaluation of independent auditor proposals. The resolution also outlines procedures for outreach, selection, contract preparation, and contract amendments, and designates the Office of Legislative Oversight as responsible for providing staff support during the selection process.

After completion of each year's audit engagement, the auditors submit two management letters to the Council: one on the County Government audit and one on the fire and rescue corporation audits. These management letters contain recommendations for improvements to financial management and internal controls.

The Council transmits the auditor's management letter on the County Government to the County's Chief Administrative Officer for response. Similarly, the auditor's management letter on the fire corporations is sent to the Chair of the Fire and Rescue Commission for response. The Council's Management and Fiscal Policy Committee holds a public worksession on the management letters with the auditor, Executive staff, and representatives from the Fire and Rescue Commission, and forwards any resulting recommendations to the full Council for approval.

**NOTE:** *In response to a Council Management and Fiscal Policy Committee request, the rest of this chapter describes how the five major County and Bi-County agencies (County Government, Montgomery County Public Schools, Montgomery College, Maryland-National Capital Park and Planning Commission, and Washington Suburban Sanitary Commission) structure and staff the internal audit and evaluation function.*

*As defined in Chapter II, internal auditing is "an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities." In contrast to legislative oversight staff which report to the legislature, internal auditors are employed by the enterprise that they audit.*

*The Committee also asked whether there are any generally accepted guidelines for the size of internal audit staffs. The Institute for Internal Auditors' (IIA) guidelines recommend that organizations have at least one audit staff for every 1,000 employees; or one audit staff for every \$150 million in revenues. The IIA offers the additional guidance that an organization should never have fewer than two internal audit staff members.*

## **B. COUNTY GOVERNMENT: INTERNAL AUDIT AND EVALUATION**

### **1. Internal Audit**

**a. General.** Section 218 of the County Charter states that: "The County Executive shall cause internal audits of all departments, offices, and agencies of the Executive Branch, and other internal audits as prescribed by law, to be performed."

The County's Internal Audit Section is organizationally located within the Department of Finance and reports directly to the department director. This reporting relationship of the Internal Audit Section within the Executive Branch has been discussed over the years. Most recently, the April 1995 management letter from the Council's independent auditor recommended that the Internal Audit Section should report directly to the County Executive's office, "to provide independence and objectivity to the internal audit function."

The County Executive's written response to the management letter recommended that the Internal Audit Section continue to report to the Director of Finance. The Executive believes that the objectives of independence and objectivity can still be achieved under the current organizational arrangement. The Internal Audit Section's work program is independently prepared and the Director of Finance rarely makes changes either to the work program or to the reports prepared. In addition, the existing arrangement is consistent with the current County Executive's objective to reduce the number of direct reports to the Executive's office.

**b. Staffing and budget.** At present, the Internal Audit Section staff consists of five full-time positions: a chief, one senior financial specialist, and three accountant/auditors. The FY 96 budget for the Internal Audit Section is \$464,100, which includes approximately \$140,000 in operating funds to supplement the work of the in-house staff with contract auditors.

The Internal Audit staff is significantly smaller today than it was in the early 1980's. In FY 83, the Internal Audit staff included 14 workyears. In FY 84, the Internal Audit staff was reduced to four workyears, and since that time has ranged between three and five workyears. When the staff was reduced in FY 84, funds were added to the Internal Audit Section's budget to contract for professional auditing services. The amount budgeted in FY 84 was sufficient to purchase approximately 4,300 hours of work; this amount was increased to fund more than 6,600 hours of contract audit work annually between FY 87 and FY 90.

Since FY 91, the funds budgeted to support contract auditing have been reduced. The Department estimates that the approximately \$140,000 budgeted for contract services in FY 96 will fund approximately 2,242 auditing hours.

**c. Annual work plan.** Using a combination of in-house and contract auditors, the Internal Audit section conducts four different types of audits:

- Fiscal audits of financial books and records, including at least one fire corporation audit each year and reviews of real estate and excise tax collections;
- Contract audits to determine conformance and compliance with contract terms;
- Operational audits to advise management concerning the efficiency and effectiveness of agency programs; and
- Electronic Data Processing (EDP) audits to provide verification of the security and accuracy of automated systems.

The Internal Audit Section chief recommends the number and scope of audits that should be conducted each year. Audit topics are recommended based on staff's assessment of risk as well as requests from individual departments. The Finance Director makes the final decision as to which internal audits will be conducted and whether the audits should be conducted using in-house or contract staff. As indicated above, in practice, the Finance Department Director generally approves the work plan, as recommended by the Internal Audit Section chief.

In recent years, the independent audit firms on contract to the Internal Audit Section have conducted most of the contract, operational, and EDP audits. Fiscal audits have been conducted by both in-house staff and contractors.



**d. Reporting of internal audit findings.** The Director of the Department of Finance transmits a copy of each internal audit report to the appropriate department(s) for comment. In most cases, an exit conference is also held between the auditors and the affected staff members. In the case of fiscal audits, a copy of the final audit report is also sent to the Office of Management and Budget. The Finance Director also keeps the Office of the Chief Administrative Officer informed about any significant internal audit findings and recommendations.

## **2. Executive Branch Program Evaluation**

As stated in the Executive Branch's written policy on program evaluation (Administrative Procedure 1-11):

- The County Government uses program evaluation as a management tool to monitor and improve the delivery of services to the public, to insure the most effective use of government resources, and to improve the accountability of managers within the government.
- Ongoing, continuous program evaluation is an inherent responsibility of department/division/section management for which a portion of normal resources should be identified and allocated.

This policy, which was adopted in 1989, also specifies procedures for an Annual Executive Branch Evaluation Plan. This plan is described as a written plan approved by the Chief Administrative Officer, which contains information on the program evaluation projects proposed by departments to be conducted during the coming fiscal year. A formal Executive Branch Evaluation Plan has not been prepared since FY 1993.

In practice, County programs are reviewed by staff for efficiency and effectiveness as part of the annual budget process. In some cases, individual departments decide to hire a consultant to conduct a special evaluation or management study; in other cases, department staff or volunteers conduct such studies. In most cases, these studies produce internal reports to department directors and other Executive branch staff.

For the past several years, emphasis has been placed on developing program indicators (e.g., selected measures of program inputs and/or outputs) to use as a management tool for continuous monitoring and evaluating of programs and activities. A number of these program indicators for each department are published as part of the Executive's Recommended Operating Budget. A special effort is being made to develop and track performance measures related to Executive branch reorganizations, and especially for the newly created Department of Health and Human Services

By law (Chapter 2, Section 2-64K), the functions assigned to the Office of Management and Budget include "program evaluation" as well as the "coordination of productivity improvement activities, including management, organization, and systems analyses and projects." OMB's role in program evaluation has evolved over the years; with a greater focus on conducting and coordinating evaluation studies in some years than in others.

In the 1980's, there was a Planning and Evaluation unit in OMB staffed by three to four Management and Budget Specialists and a Planning and Program Manager. This unit's evaluation-related work included: compiling an annual list of all Executive Branch program evaluations; providing technical assistance to department staff who were conducting evaluations; and conducting special evaluations at the request of the OMB director and the Chief Administrative Officer.

For a number of years, OMB staff coordinated an Evaluation Users Group. This group served as a forum for Executive Branch staff to discuss how to design and conduct evaluations, and how to hire a consultant to conduct a specific management or program evaluation. The Planning and Evaluation staff also developed Administrative Procedure 1-11, which as referenced above, articulated the goals and policies for program evaluation efforts in the Executive Branch and outlined procedures for the Annual Executive Branch Evaluation Plan.

In general, as a result of reorganization and downsizing, OMB does less program evaluation work today than it did during the 1980's. OMB currently provides technical assistance to Executive Branch departments and offices, and conducts a limited number of special interdepartmental or inter-agency evaluations. For example, OMB is currently working on an evaluation of the central processing pilot program, a project to test the effectiveness and efficiency of centralized criminal adult arrest processing and District Court Commission bond reviews.

## **C. MONTGOMERY COUNTY PUBLIC SCHOOLS: INTERNAL AUDIT AND EVALUATION**

MCPS' Department of Educational Accountability (DEA) is responsible for multiple functions, including evaluation, policy analysis, testing, and internal audit. The Director of DEA reports to the Deputy Superintendent for Instruction. Appendix D contains a chart that shows DEA's current organization and staffing.

### **1. Internal Audit**

The FY 96 budget for the Internal Audit unit is \$375,374. The current full-time staff consists of an internal audit supervisor and three operations/audit analysts. In addition, the Internal Audit unit hires part-time auditors to assist with specific tasks. This year, DEA estimates that the part-time auditors will provide about 3,100 hours of audit time at a cost of \$55,000. The FY 96 Internal Audit budget includes \$88,200 for MCPS' external financial audit.

The annual Internal Audit unit work plan focuses on internal control, financial compliance, economy, and efficiency issues within MCPS. Electronic data processing (EDP) audits are also included in the annual work plan. In addition, Internal Audit staff conduct training classes for MCPS managers and staff on the fundamentals of good financial management. In recent years, due to resource constraints, the Internal Audit unit's work plan has included few operational or program audits.

The Internal Audit unit's investigative role is outlined by MCPS regulation. The Internal Audit staff works with the Department of Personnel Services to conduct investigations into suspected instances of fraud, false claims, false statements, bribery, theft or embezzlement of MCPS funds or property. The Internal Audit staff has investigated allegations of fund misuse, alleged theft by a cafeteria manager, excessive use of overtime, and improper contracting procedures. Each investigation results in a written report of findings that is submitted through the DEA director to the Department of Personnel Services director, who then transmits copies to the superintendent and responsible associate superintendent. Based on the findings, the superintendent (or designee) takes appropriate action, based on Maryland law and MCPS regulations.

Most of the part-time contract auditors' time is allocated to performing financial audits of the independent activity funds, which are of the student-owned funds held in checking and savings accounts by the schools. The source of revenue for these funds is typically a combination of fund raising, athletic events, field trip revenue, vending machines, and miscellaneous other activities. The principal for each school is the fiduciary agent for these funds, which total approximately \$19 million in receipts per year across all schools.

In FY 95, there were 100 audits of independent activity funds. At the end of each audit, the auditor holds an exit conference with the principal, the financial agent, and the business manager (at high schools) to review the findings and recommendations. The final report is then issued to the principal, with a copy sent to the associate superintendent for school administration.

In accordance with Board Resolution No. 499-90, the Internal Audit unit provides an annual report to the Board of Education's Audit Committee (a standing committee of the BOE). As required by the Resolution, the annual report contains "a summary of work accomplished, major categories of problems and/or issues which characterize the findings, and any recommendations to the Audit Committee."

## **2. External Financial Audit**

State regulations (COMAR 13A.02.07) require the BOE to hire a public accounting firm to audit the annual financial statements of MCPS. The Internal Audit unit manages the contract for this audit, and Internal Audit staff provide approximately 80 hours of in-house staff time each year to support the work of the external auditors. Examples of tasks performed by in-house staff related to the contract involve mainly physical inventory observations.

The management letter from the auditors is submitted to the Superintendent of Schools for response; and then forwarded with the response to the BOE Audit Committee. As indicated above, the FY 96 budget includes \$88,200 for the external financial audit.

The Superintendent distributes copies of the MCPS Comprehensive Annual Financial Report, including the external auditors' report, to the State Superintendent of Schools, the Board of Education, the County Council, the County Executive, and the Office of Legislative Oversight.

### **3. Evaluation**

The FY 96 MCPS budget for DEA's Research and Evaluation unit is \$375,100. In addition, the Research and Evaluation unit receives grant money for specific research projects (e.g., National Science Foundation Math Content Connection, Event Based Science) to evaluate the outcomes of grant funded projects.

The Research and Evaluation staff includes a coordinator, three evaluation specialists, and one half-time administrative secretary. In addition, there is a pool of approximately 15 part-time evaluators who are hired on contract as part-time professionals to assist the full-time Research and Evaluation staff on a task by task basis; the hourly wage of the part-time evaluators varies according to their backgrounds and specific tasks for which they are hired. This year, DEA estimates that the part-time evaluators will provide approximately 11,000 hours of staff time at a cost of \$190,000, or approximately half of the total Research and Evaluation unit budget.

The MCPS budget defines the major purpose of the Research and Evaluation unit as that of providing information and analyses to the BOE and executive staff on the status, strengths, and weaknesses of the educational program. The unit accomplishes this by conducting program evaluations, designing surveys, analyzing existing data, and writing literature reviews. The unit also reviews all proposals for research and data collection, with the goal of ensuring that evaluation resources are spent on activities which are consistent with MCPS' highest priorities and/or are required by state or federal agencies.

DEA develops a recommended work plan each year for the Research and Evaluation unit. This work plan is reviewed and approved by the Deputy Superintendent for Instruction and shared with the Research and Evaluation Committee of the BOE. In recent years, many of the unit's activities have focused on monitoring and evaluating Success for Every Student tasks and related curricular programs, and on developing and implementing MCPS' internal evaluation of the Global Access project. The Research and Evaluation unit is frequently called upon to support MCPS work groups and task forces that need data analysis in order to make policy and program recommendations to the Superintendent and/or the BOE.

Since the Research and Evaluation function within DEA was established in the 1970's, the staff has produced many program evaluations on a wide range of subjects. DEA staff notes that as a result of significant budget reductions in this area since 1990, resources are only available at this time to continue evaluation on a limited basis. The BOE's Research and Evaluation Committee works with DEA staff to establish priorities and to address areas of evaluation that are important to the Board.

#### **D. MONTGOMERY COLLEGE: INTERNAL AUDIT AND EVALUATION**

##### **1. Statutory Requirement for External Financial Audit**

State law requires all community colleges in Maryland to have an "annual audit of its books of accounts, accounting procedures and principles, and other fiscal and operational methods and procedures" (Annotated Code of Maryland, Section 16-409, Audits). This audit must be conducted in accordance with guidelines prescribed by the Maryland Higher Education Commission (MHEC), and must be submitted to the MHEC and the State's Legislative Auditor by November 1 of the following fiscal year. The Legislative Auditor must submit a report on the community college audits to MHEC, the Joint Budget and Audit Committee, and the Director of the State Department of Fiscal Services.

By law, the State's Legislative Auditor may decide to perform the required annual financial, or at the request of the Joint Budget and Audit Committee, to conduct other special audits of any community college. According to College policy approved by the Board of Trustees, the College hires an independent certified public accountant to conduct the annual financial audit, unless the Legislative Auditor submits notice to the College of an intent to conduct the required annual audit.

A copy of the College's annual financial audit is submitted to the County Council. By law, the Office of Legislative Oversight must review all post audit reports by certified public accountants hired by other public county and Bi-county agencies. (County Code Section 29A-5)

In addition, the College is required to have an independent audit of the financial and enrollment data which is submitted for state aid and contained in the Annual Financial Report due to MHEC by October 1st of following fiscal year. MHEC also requires an annual Management Letter of findings of a material or immaterial nature and recommendations for improvement which is due on December 1. The College's Board of Trustees must review the Management Letter and the College's Corrective Action Plan prior to submission to MHEC.

Since the College receives Federal funds, the College must comply with the US Office of Management and Budget single audit guidelines, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." An annual financial audit, the management letter, and the College's corrective action plan must be submitted to the US Department of Education by the end of December following each fiscal year.

## **2. Audit Committee**

The Board of Trustees sits as a committee of the whole to perform the functions of the Audit Committee. The Audit Committee is a standing committee of the Board of Trustees and is chaired by the Board's first Vice Chairman. In accordance with College procedures, the Audit Committee must meet at least twice a year with the external auditors, once at the beginning of the annual audit and once at the conclusion of the audit.

## **3. Internal Auditing**

The College's procedure on Internal Controls and Audit, as approved by the College President, defines internal auditing as "a staff function which serves College management by examining and evaluating the financial and related operating activities of the College". Interviews with College staff reinforced that the internal audit function is perceived as having the primary purpose to assist, as opposed to penalize, managers.

The procedure outlines the objectives of internal audit reports to include:

- To determine whether there has been compliance with Board policies and implementing procedures of the President with emphasis on possible waste and loss, and proper protection and accounting for the assets of the College;
- To appraise the financial and operating controls and systems with the principal objectives of eliminating waste and minimizing the potential for improprieties and/or mismanagement;
- To determine whether resources are being used effectively and efficiently; and
- To recommend ways to improve the effectiveness of the area audited.

The College Auditor manages the contract for the external financial audit and conducts internal audits under an annual work plan approved by the College President. Organizationally, the College Auditor reports directly to the Director of Planning and Institutional Research, who reports directly to the Chief Administrative Officer of the College.

The College Auditor designs an annual work plan, which is discussed with the Chief Administrative Officer (CAO) and College President. In general, risk assessment or special interest affect which activities are selected for internal audit. The President, CAO, and other individual units within the College may request that additional audits be added to the College Auditor's work plan.

## **4. College Procedures for Responding to Audit Results**

According to College staff, internal and external audit reports are considered an important management tool. College procedures approved by the President specify the process for management review and follow up on audit reports.

External audit findings and recommendations are addressed to the Board of Trustees through the President. The CAO handles distribution of internal audit reports, which are normally addressed to the person directly responsible for supervising the activity audited.

Within 10 calendar days after receipt of an internal or external audit report, the addressee is required to respond to the CAO with a copy to the College Auditor. The response must outline whether there is general agreement with the overall report findings and recommendations, explain any disagreement, and describe any management action taken or contemplated on each finding and/or recommendation.

Responses to the audit findings and recommendations are reviewed by the College Auditor and the CAO and then submitted with recommendations to the President for transmittal to the Board of Trustees, who then considers the auditor's recommendations, the responses, and the President's recommendations.

## **5. Evaluation and Reporting by the Office of Planning and Institutional Research**

The Office of Planning and Institutional Research (OPIR) staffs many of the evaluation processes for the College. OPIR's responsibilities include developing and operating some of the management information systems for the College, overseeing the preparation of external reports which the College must prepare, and coordinating the self-study and peer evaluation required for the College's continued accreditation.

OPIR compiles or coordinates compilation of personnel, enrollment, financial and program data on a regular basis to comply with federal and state reporting requirements. Every year, all community colleges in the state must submit certain reports and other information to the Maryland Higher Education Commission (MHEC). The reports mandated by MHEC include data on: enrollment, personnel, college finances, financial aid, student learning outcomes, use of space, and an annual financial plan. MHEC reviews the information submitted by the College to ensure compliance with state standards. MHEC also identifies special subjects for additional qualitative program evaluation. The information provided to MHEC addresses both state and federal reporting requirements.

Montgomery College belongs to the Commission on Higher Education of the Middle States Association of Colleges and Schools, a professional association dedicated to educational improvement through accreditation. The 1994 edition of *Characteristics of Excellence in Higher Education* explains accreditation as:

"... the means of self-regulation and peer review adopted by the educational community": The accrediting process is intended to strengthen and sustain the quality and integrity of higher education, making it worthy of public confidence and minimizing the scope of external control. . . Middle States accreditation is an expression of confidence in an institution's mission and goals, its performance and its resources.

Accreditation by the Middle States Association is continued by a process of periodic reviews and evaluations through self-study and peer review. Institutions are reviewed by the Middle States Association at least every five years, and the full self-study occurs on a ten-year cycle.

Montgomery College is in the process of conducting the FY 96 phase of the Middle States Association self-study, and preparing for the next peer review, which is scheduled for 1998. The upcoming review will include a general overview with a special focus on admission and placement, and teaching and learning in foundation courses. In addition to this accreditation process, the College has a number of career programs that participate in a specialized accreditation process for a respective curriculum.

## **E. MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION: INTERNAL AUDIT AND EVALUATION**

### **1. Internal Audit**

The Internal Audit Division is organizationally placed within M-NCPPC's Finance Department. The Finance Department is headed by M-NCPPC's Secretary-Treasurer, who in accordance with State law (Article 28, Section 2-106), serves at the pleasure of the Bi-County Commission.

The Internal Audit Division staff consists of a finance manager, three staff auditors, and one administrative assistant. The total FY 96 budget of the Internal Audit Division is approximately \$400,000. Montgomery County's share of the Internal Audit Division is half of this amount.

The Internal Audit Division prepares an annual work program that is reviewed and approved by the Secretary-Treasurer. The Commission and individual departments can request additions to the specific audit projects recommended by the Internal Audit Division.

The Internal Audit Division conducts internal audits of revenue producing facilities and programs, major procurements, and petty cash funds. At the request of management, the Internal Audit Division also conducts special financial investigations. During FY 95, the Internal Audit Division conducted:

- 150 revenue producing program audits
- 9 major procurement field inspections
- 38 cash fund audits
- 26 special audits

Every year, the Division audits all enterprise funds and other significant revenue producing facilities (e.g., golf courses, ice rinks). These audits include an evaluation of internal control procedures and petty cash testing to ensure that procedures are being followed.



Once an internal audit is completed, the Internal Audit Division circulates a draft report to the entity that was audited for review and comment. A final report of findings and recommendations is reviewed by the Office of the Secretary-Treasurer and then forwarded to the appropriate department director. The Commission receives a monthly report listing the completed audits and a summary of significant findings. Copies of full reports are available to Commissioners upon request.

## **2. Independent Financial Audit**

State law (Article 28, Section 2-113) requires the Commission to hire a public accounting firm to audit the annual financial statements of M-NCPPC. The Office of the Secretary-Treasurer manages the contract for this audit, and Internal Audit Division staff provide approximately 200 hours of in-house staff time each year to support the work of the external auditors. Examples of tasks performed by in-house staff include: tests of cash receipts and cash disbursements; reviews of subsequent disbursements and subsequent receipts; and cross-referencing of schedules for the Comprehensive Annual Financial Report.

The audit contract includes reviewing the Commission's internal control structure to determine Commission compliance with applicable laws and regulations and preparing the Single Audit of federal grants. The management letter from the auditors is submitted to the Secretary-Treasurer for response; and then forwarded with the response to the Commission.

As indicated above, the FY 96 Internal Audit Division's budget includes approximately \$40,000 for the external financial audit. In addition, the FY 96 Accounting Division's budget includes \$5,800 for the Single Audit.

The Planning Board Chair distributes copies of the Commission's Comprehensive Annual Financial Report, including the external auditors' report, to Councilmembers, the County Executive, and the Office of Legislative Oversight.

## **3. Program Evaluation**

There is no M-NCPPC staff dedicated solely to program evaluation. Instead, as the Executive Director explains, program evaluation is done on a continuous basis by management staff throughout the departments. During the annual budget preparation process, each program is reviewed to assure that it contributes to the performance of the overall mission of the Commission. During Planning Board review of the budget, each program is scrutinized to reaffirm the efficiency and effectiveness of the program; programs are ranked in priority order, and those that do not "make the cut" are reduced or eliminated from the budget proposal.

A memo from the Executive Director describing the program evaluation efforts of M-NCPPC is attached as Appendix E.

## **F. WASHINGTON SUBURBAN SANITARY COMMISSION: INTERNAL AUDIT AND EVALUATION**

### **1. Internal Audit**

WSSC assigns the internal audit function to an independent office that reports directly to the Commission. Commission procedures adopted in 1989 describe the authority of the Internal Audit Office as follows:

The Internal Audit Office is an independent appraisal activity authorized to conduct a broad, comprehensive program of audit within WSSC as a service to the Commissioners and management. Internal Audit examines and evaluates the adequacy and effectiveness of the WSSC system of internal controls. It is a managerial control which functions by measuring and evaluating the effectiveness of other internal controls.

The Internal Audit Manager is appointed by the Commission. As a result of organizational restructuring in 1983, the Commission assigned the Internal Audit Manager the additional responsibilities of serving as Secretary to the Commission.

The FY 96 approved budget for the Office of Internal Audit/Secretary is \$813,100. The current staff includes the Internal Audit Manager/Secretary, seven staff auditors, and two support staff. The office budget includes approximately \$60,000 to pay for WSSC's external financial audit.

According to WSSC's procedures, the Internal Audit Office is responsible for "assessing the various functions and control systems in WSSC and for advising management concerning their condition". The Internal Audit Office staff conduct both financial compliance and program audits. Specific assignments include:

- Appraising the effectiveness and application of financial controls and the reliability of data developed within WSSC;
- Evaluating adherence to plans, policies, and procedures, and compliance with laws and regulations;
- Evaluating the adequacy of controls for safeguarding assets;
- Appraising the effectiveness and efficiency of resource use;
- Auditing external organizations to evaluate compliance with WSSC's minority participation programs; and
- Performing special reviews requested by the Commissioners or management.

WSSC's procedures explicitly authorize the Internal Audit Manager and staff unrestricted access to all WSSC activities, records, property, and personnel.

Each year, the Internal Audit Manager recommends a work plan for the Internal Audit Office. In addition to project ideas generated by the Internal Audit staff, the work plan often includes management requests for audit services. The Commission reviews and approves the work plan, which includes brief statements of the audit objectives for each proposed project. The FY 96 internal audit plan for WSSC is attached as Appendix F.

When an audit is complete, Internal Audit staff typically circulate a discussion draft to the appropriate managers. The purpose of the draft is to obtain agreement on the facts and allow managers an opportunity for review and comment before the report is issued.

Once an Internal Audit Report (IAR) is formally completed and signed, it is sent to the Commissioners and General Manager's office. Distribution to others depends upon the subject matter of the IAR. For IARs of WSSC activities, the General Manager provides a formal response to the Commissioners within 30 days. The response must include a description of corrective actions either planned or taken. The Internal Audit Manager provides semi-annual reports to the Commission that summarize the status of audit activities.

## **2. Independent Financial Audit**

State law (Article 29, Section 1-106) requires the Commission to hire a public accounting firm to audit the annual financial statements of WSSC. The Internal Audit Manager/Secretary manages the contract for this audit and serves as the liaison between the auditor and WSSC management. As indicated above, the FY 96 budget for the Office of Internal Audit includes approximately \$60,000 for the external financial audit.

The management letter from the auditors is submitted to the Commissioners and the Internal Audit Manager/Secretary, who is responsible for coordinating management's response to the letter. Management's response along with the Internal Audit Manager/Secretary's evaluation of that response is then forwarded to the Commission.

WSSC distributes copies of the Uniform Financial Report, including the external auditors' report, to the State Department of Fiscal Services. The external audit report is also distributed (as part of WSSC's agenda package) to the Montgomery and Prince George's Counties Councilmembers and County Executives.

## **3. Office of Security and Safety Services**

WSSC's Office of Security and Safety Services was established in 1983 with primary responsibility to safeguard WSSC's real property and to protect WSSC's assets from theft and sabotage. The Office of Security and Safety Services reports directly to the Chief Administrative Officer of WSSC.

The Office of Security and Safety Services is divided into four units: an investigative unit, an administrative unit, and two units of special police officers and guards who provide security protection for employees and visitors to Commission owned property and facilities, including the Patuxent River Watershed.

The Investigative Unit conducts investigations into civil, criminal, and administrative matters. Unit staff investigate incidents involving Commission property or personnel, and incidents involving members of the general public engaged in civil or criminal incidents on Commission property. The unit is also assigned to investigate suspected incidents of theft of Commission processed water and illegal waste dumping. At the present time, the unit employs four internal investigators. The FY 96 budget for the Investigative Unit is approximately \$300,000.

Within the Commission, the work of the Investigative Unit is closely coordinated with the work of the Internal Audit Manager. WSSC's internal investigators also work closely with the Police Departments and States Attorney offices of Montgomery and Prince George's Counties.

## **VII. OBSERVATIONS AND RECOMMENDATIONS**

### **A. OBSERVATIONS**

OLO's survey work shows that "legislative oversight" comes in different forms at different levels of government and different places around the country. While the details of the structure and staffing of the oversight function may vary, the underlying objectives and technical requirements are remarkably similar.

Based on our survey work, research, and interviews with legislative staff from our peer offices around the country, this section presents observations on what characteristics make for an effective legislative oversight office. Although the characteristics are listed separately for discussion purposes, in practice, most of them are inter-related.

#### **Characteristic # 1: Structural Independence**

The structural independence of a legislative oversight office is essential so that the work performed is objective, and the staff is perceived as free from pressure to compromise findings or recommendations.

An effective legislative oversight office is seen as supporting the oversight role of the legislature while ensuring that those subject to the evaluation process are treated fairly. The objectivity and neutrality of the staff is critical so that the data collected and findings reached are perceived as accurate, complete, and balanced.

#### **Characteristic # 2: Involvement and Support of Legislators**

In effective legislative oversight operations, legislators are involved in selecting topics and helping to target the scope of specific projects to focus on issues that are of primary concern to them. To be most effective, the work of the legislative oversight unit is also coordinated with the way that the legislators conduct the rest of their business. For example, the findings and recommendations of an oversight study become part of the legislature's budget decision making and/or bill writing process.

An effective legislative oversight office maintains the attention, respect, and public support of the legislature that it works for. As a result, the legislative oversight unit has the potential to influence the legislature's decision making and is perceived by agency staff and other stakeholders as having the potential to effect change. Because a legislative oversight unit is not itself authorized to change the law or appropriate funds, the effectiveness of its work depends upon the interest and actions of the decision-makers (legislators) that the office works for.

Finally, even the best evaluation work will have limited effectiveness if the decision-makers (legislators) do not understand how to use the products produced by the oversight staff. While known expectations from legislators can make an oversight project significantly more useful, expectations that are too low or unrealistically high can actually harm a study effort.

### **Characteristic # 3: Public Credibility**

An effective legislative oversight office is perceived as "credible" by the stakeholder groups that either directly participate or become interested in the evaluation or study process. Stakeholders are individuals with an interest in program performance and study results, including elected officials, program managers and staff, customers, and the public. There are almost always multiple stakeholders, and exactly who they are vary depending on the specific oversight project.

Being "credible" means that the legislative oversight staff is seen as capable, worthy of confidence, and reliable. The credibility of the staff comes from multiple sources, including how the office is publicly regarded by the legislators that it serves (as noted in characteristic #2); the skills, experience, and personal reputations of the director and staff members; and the historical reputation of office reports and memorandums. The credibility of office reports also depends on factors such as whether data are accurate, the analytic methods used are appropriate, and the findings and recommendations are logical, constructive, and well supported.

Finally, credibility is built on what happens to the legislative oversight unit's findings and recommendations after they are issued, including the extent to which they are considered and endorsed by legislators and implemented by agency staff.

### **Characteristic # 4: Adequate Resources**

An effective legislative oversight office has adequate staff resources with appropriate expertise to carry-out timely evaluations and other studies that are of high priority to legislators. An effective legislative oversight director knows when the office has sufficient expertise on staff to successfully accomplish an assignment and when the office should seek outside assistance, either to provide the requisite expertise or to meet an important project deadline.

Oversight projects (including program evaluation, performance auditing, financial auditing) require skills in management, economics, policy analysis, research methods, statistics, law, and accounting. In addition, an effective legislative oversight operation communicates results clearly, concisely, and constructively, which means that staff must possess high quality writing and presentation skills.

Consistent with the general auditing standard that staff should have no authority or responsibilities for the activities they evaluate, most effective legislative oversight offices assign staff exclusively to oversight activities. In addition, because significant evaluation and audit work requires careful planning, implementation, and follow up, it is not successful to assign major oversight projects to staff who have only a few hours a week to devote to evaluation work in-between other job assignments.

**Characteristic # 5: Access to Information**

In addition to knowing where and from whom to seek relevant data, an effective legislative oversight office has ready access to the information it needs. In practice, the open cooperation of those being evaluated or audited equals the importance of a statutory requirement that requested data be made available to the oversight staff. The issue of access also relates to the oversight unit being perceived at a sufficiently high level within the organization so that its work, including requests for information, are respected by the senior officials in charge of the activities identified for study.

**Characteristic # 6: Adaptable, Rigorous, Creative**

An effective legislative oversight staff shows that it continues to learn and adapt new approaches to data collection, analysis, and reporting methods. The unit makes a special effort to keep up to date with trends in evaluation and auditing, accountability reform, standards and performance measurement, and management strategies.

To be effective, the legislative oversight work products must be timely and understandable. The effective legislative oversight staff must demonstrate its rigor and creativity by consistently packaging and communicating findings and recommendations that are clear, concise, and constructive.

## **B. RECOMMENDATIONS**

The Office of Legislative Oversight (OLO) conducted this project in order to provide the Council with useful background and comparative data for discussion of how OLO can optimally assist the Council to perform its legislative oversight function. This section presents the OLO Director's recommendations to the Council on ways to improve the effectiveness of the office. OLO looks forward to discussing these recommendations with the Council, along with any additional recommendations for improvement that may be generated through Committee and Council discussions of this report.

### **Recommendation # 1: OLO's Mission, Objectives, and Values**

1. The Council should review and approve a statement of mission, objectives, and values for the Office of Legislative Oversight. Beginning at page 70 is a draft of an Office of Legislative Oversight office mission statement for Council consideration.
2. After the Council adopts a mission statement for OLO, the Council should request OLO and the Council's legal staff to review the enabling legislation for the office (County Code Chapter 29A) to ensure that the law is consistent with the Council's current view of the mission and objectives of OLO.

### **Recommendation # 2: General Office Operations and Management**

1. OLO should formally adopt the 1994 revision of the Government Auditing Standards that are published by the Comptroller General of the United States. These standards, which should be applied to OLO's financial and performance auditing projects, outline factors such as the quality of the audit effort, field work standards, and the characteristics of meaningful reports.
2. OLO should continue to improve its tracking and reporting of staff time by project. This year, OLO is experimenting with an internal staff time and project tracking system. During the next year, OLO intends to improve this tracking system and improve our understanding and analysis of how staff time is allocated.
3. OLO should initiate a process of peer review with similar oversight/audit offices in other agencies and local governments in the Washington metropolitan area. Many other oversight/audit units around the country use the peer review process to make improvements based on a third-party assessment of office operations and the opportunity to learn about best practices from other places performing similar types of work.



### **Recommendation #3: OLO's Work Program**

1. The Council should review how OLO's work program is currently developed and explore whether any changes are warranted. In particular, the Council should discuss whether to modify the current process of soliciting suggestions for OLO projects, and the level of detail currently provided in the work program about proposed OLO projects.

OLO is particularly interested in exploring ways to improve the "pre-evaluation" stage of OLO projects. This crucial stage of project development covers the time from the initial topic suggestion to the beginning of data collection. It is during this phase that the scope of OLO's projects can effectively be narrowed (or broadened) to ensure that staff time is spent on the issues with which Councilmembers are especially concerned.

2. The Council should request the OLO Director to convene bi-annual meetings for informational exchange among OLO staff and representatives from the internal audit and evaluation staffs of the five major County and Bi-County agencies. The purpose of these meetings would be to: compare work program ideas and where appropriate, coordinate staff efforts; explore opportunities for shared training; and exchange knowledge and experience with evaluation and audit analysis and reporting methods.
3. The Council should request OLO to evaluate the pros and cons of establishing a citizens "hotline." The federal General Accounting Office as well as a number of state and local government oversight offices operate dedicated telephone lines that are publicized as places for citizens to report concerns about government waste, fraud, and abuse. A well-structured hotline has the potential of providing citizen-generated leads to programs and functions in need of evaluation and improvement.

### **Recommendation # 4: Staff Development**

OLO should pay greater attention to the continuing education of OLO staff. Similar to other oversight/audit office, OLO should establish annual staff training goals to enable the staff to remain current in evaluation techniques and auditing trends.

### **Recommendation #5: Staffing**

1. OLO's survey of the legislative oversight function in other places shows that the Council's Office of Legislative Oversight has a smaller staff than many comparably sized jurisdictions. OLO recommends that the Council consider whether OLO's staff resources are "adequate" based on three criteria: (1) the Council's assessment of whether OLO has sufficient staff and appropriate expertise to carry-out the audits, evaluations, and other studies that are of high priority to the Council; (2) whether current staff resources produce constructive reports that are issued for timely use by Councilmembers, management, and other interested parties; (3) competing budget priorities.

2. Recognizing the County's current fiscal situation, OLO recommends the Council request the OLO Director to explore cost-effective ways to expand OLO's staffing capabilities.

For example, based on the federal government model that allows senior staff to rotate to other agencies on Interagency Personnel Agreements, OLO could examine the feasibility of creating a program that allows senior staff from other departments and agencies to "rotate" into OLO to work on one or more special evaluations or studies for an established period of time, e.g., 6-12 months. The rotation could be a mutually beneficial opportunity for a senior staff person to gain experience conducting an evaluation or special study, and for OLO to take advantage of an individual's unique skills or background.

3. The Council should consider whether the OLO staff should include (either in-house or on contract) expertise in information systems auditing. The Government Auditing Standards require that only reliable data are used to develop and report findings. With the increased use of computer based and processed data, many oversight/audit offices have developed in-house expertise in the area of information systems or electronic data processing (EDP) auditing. The purpose of this specialized area of auditing is to assess the reliability of computer processed data by evaluating and testing controls over data quality and information system integrity. The Council should consider whether it is important for OLO to possess the skills needed to conduct audits in this growing area.

#### **Recommendation # 6: Visibility of Office and Reports**

At present, OLO has a relatively low public profile. OLO recommends that the legislative oversight function would benefit from some additional public understanding of the office's role and relationship to the Council. Specifically, OLO recommends that:

1. OLO develop a customer friendly brochure that defines legislative oversight, explains OLO's structure and mission and presents some basic facts about the office and its Council-approved work program. This brochure should be available in the Council's office and distributed to the libraries. The information should also be available through the Council's Home Page (currently under development), accessible via the Internet.
2. OLO should continue efforts to improve how report findings and recommendations are presented to the Council and the public. For example, we are currently experimenting with a briefing packet that highlights the major report findings and recommendations using an executive summary format and simple graphics.
3. In consultation with the Council and the Council's Information Officer, a press release should be prepared to accompany the Council's approval of OLO's annual work program each year as well as the release of certain OLO reports.

DRAFT, APRIL 1996

### **Mission of the Office of Legislative Oversight**

The mission of the Office of Legislative Oversight is to provide accurate information, unbiased analysis, and independent recommendations that assist the County Council to perform its legislative oversight function. Legislative oversight is the process by which a legislative body takes an active role in monitoring the performance of publicly funded activities, and applies this knowledge to its three other primary functions: making laws and public policy, setting budgets, and raising revenues. A legislature must know and understand the operations of government in order to make informed decisions on the laws which it passes and the financial decisions which it makes.

### **Objectives of the Office of Legislative Oversight**

1. Promote the efficient, effective, and fully accountable use of public funds in Montgomery County.
2. Determine the extent of government's effectiveness and efficiency in carrying out public policy set by the County Council.
3. Assist the Council to increase public awareness of County responsibilities and increase public confidence that the County Council is always seeking ways to maximize the use of County resources.

To fulfill these objectives, the Office of Legislative Oversight:

- Conducts audits, investigations, evaluations, budget analyses, and other special studies on operational units, programs, functions, or activities identified by the Council.
- Prepares high quality and independent reports and memorandums that provide information, analyses, and recommendations to the Council that are clear, timely, and constructive.
- Administers the Council's contract with a certified public accountant for the independent financial audit of County Government transactions, as required by the County Charter.
- Complies with the Government Auditing Standards developed by the Government Accounting Office when conducting audits and managing contracts for the conduct of audits.

## **Values of the Office of Legislative Oversight**

The work of the Office of Legislative Oversight is guided by the following values:

1. We value high quality work products. Our reports and memorandums focus on significant and useful information for elected officials, managers, and the public. We strive to make our reports timely, accurate, understandable, objective, fair, and constructive.
2. We work to maintain the highest level of credibility, and always to remain fair and objective. We strive to make ourselves accessible and to communicate openly and frequently in a way that is friendly and never threatening.
3. We value constructive working relationships. We aim to conduct and present ourselves in a professional manner. We are honest, and reliable, and strive always to treat other employees and the public with courtesy and respect. We endeavor to exercise consistent good judgment, and to handle controversial and confidential matters with discretion.
4. We value good organization and hard work. We endeavor to make efficient and thoughtful use of our time and of the resources entrusted to us by the Council.
5. We value the diverse contributions of the many people we work with, both within and outside of the public sector, and endeavor to treat other points of view with consideration and respect. We value teamwork as an essential component to achieving the best possible product. We believe each person plays an important role and should participate to his/her potential.
6. We are committed to the principles of continuous improvement through training and work experience. We strive to provide an atmosphere where each person is encouraged to work towards reaching their professional potential.

los/ologoals

**Table 4**  
**Organizational Structure of Office**  
 (Part I: F,G,H)

<i>State/Agency</i>	<i>Number of Branch Offices</i>	<i>Agency Head Reports To</i>	<i>Oversight Department/ Committee</i>	<i>Exercise of Oversight Authority</i>	<i>Part of Larger Division</i>
<b>Alabama</b> Chief Examiner of Public Accounts	N/A	Legislature	Legislative Committee on Public Accounts	Actions are "supervised" by Committee.	
<b>Alaska</b> Legislative Auditor	1	Legislature	Legislative Budget and Audit Committee	Reports are reviewed and approved by a majority of the Committee before release and are available to the public after release to the Legislature.	
<b>Arizona</b> Auditor General	1	Legislature		Auditor General submits written report to the Legislature annually; Legislature must also approve all rules/regulations necessary to administer duties of the office.	
<b>Arkansas</b> Auditor of State  Legislative Auditor	0  2- Operational 2- Future	Public  Legislative Joint Auditing Committee	  Legislative Joint Auditing Committee	  A review by the Legislative Joint Auditing Committee of all audits conducted by the Legislative Auditor and his staff and audits conducted by independent CPAs of various state and local governmental units.	
<b>California</b> Auditor General	only 1 main office	Legislature	Joint Legislative Audit Committee	The committee has discretion over approving and prioritizing audit work. The Auditor General has sole authority over approved audits and resulting reports.	
<b>Colorado</b> State Auditor	0	Legislature	Legislative Audit Committee	Legislative Audit Committee allows audit reports to become "public" documents by a majority vote.	
<b>Connecticut</b> Auditors of Public Accounts	1	Legislature	Liaison with the General Assembly is mainly through the Joint Committee on Legislative Management (JCLM)	The JCLM, a bipartisan committee, conducts the business affairs of the General Assembly. Our budget requests are submitted through the JCLM and are excluded from Executive Branch control over budget and personnel matters.	
<b>Delaware</b> Auditor of Accounts	1 main office; 1 branch office	Public			
<b>Florida</b> Auditor General	23	Legislature	Joint Legislative Auditing Committee	The Committee establishes policy and approves or disapproves legislative and local audit requests that are not statutorily required.	

Table 4 (continued)  
Organizational Structure of Office  
(Part I: F,G,H)

<i>State/Agency</i>	<i>Number of Branch Offices</i>	<i>Agency Head Reports To</i>	<i>Oversight Department/ Committee</i>	<i>Exercise of Oversight Authority</i>	<i>Part of Larger Division</i>
Georgia State Auditor	4	Legislature			
Hawaii Legislative Auditor	0	Legislature			
Idaho Legislative Auditor	0	Legislature - Joint Finance Appropriation Committee	Joint Finance Appropriation Committee	Budget and acceptance of audit reports.	
Illinois Auditor General	1	Legislature			
Indiana State Examiner	0	Public; Legislature			
Iowa Auditor of State	3	Public			
Kansas Legislative Post Auditor	0.	10-member bipartisan, joint legislative committee	Legislative Post Audit Committee	8-10 Committee meetings annually; budget is approved by Committee; Committee directs performance audit engagements; completed audit work is presented to the Committee.	
Kentucky Auditor of Public Accounts	0	Public			
Louisiana Legislative Auditor	2	Legislature	Legislative Audit Advisory Council	Budget approval; sets Legislative Auditor's salary.	
Maine State Auditor	0	Legislative leadership	Legislative leadership	Informal discussions. All audit reports except those for local government units are forwarded to the President of the Senate and the Speaker of the House of Representatives.	
Maryland Legislative Auditor	1 office maintained	Director, Department of Fiscal Services	Audit reports are issued to the Joint Budget and Audit Committee of the General Assembly and the Director of the Department of Fiscal Services	Director of the Department of Fiscal Services exercises administrative control; audit decisions are left to the Legislative Auditor.	Department of Fiscal Services-Legislative Branch of government
Massachusetts State Auditor	4	Public			
Michigan Auditor General	1	Legislature	Leadership of the House of Representatives and Senate		
Minnesota Legislative Auditor	0	Legislative Audit Commission	Legislative Audit Commission	Approving budgets; periodic meetings; review of schedules; receiving reports; selecting program evaluation topics, and some special investigations.	

**Table 4 (continued)**  
**Organizational Structure of Office**  
**(Part I: F,G,H)**

<i>State/Agency</i>	<i>Number of Branch Offices</i>	<i>Agency Head Reports To</i>	<i>Oversight Department/ Committee</i>	<i>Exercise of Oversight Authority</i>	<i>Part of Larger Division</i>
<b>Mississippi State Auditor</b>	2	Public			State Auditor's Office
<b>Executive Director</b>	0	Joint Committee	Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER)	PEER conducts financial audits, economy and efficiency reviews, and program evaluations.	
<b>Missouri State Auditor</b>	1	Public			
<b>Montana State Auditor</b>	0	Public; Legislature			
<b>Legislative Auditor</b>	0	Legislative Committee	Legislative Audit Committee	Holds public hearings for audit reports, prioritizes list of performance audits, establishes biennium goals for agency head and approves budget request.	
<b>Nebraska Auditor of Public Accounts</b>	0	Public			
<b>Nevada Legislative Auditor</b>	0	Legislative Commission	Legislative Commission	Audit reports are presented to the Legislative Commission; approves budget to be submitted to Legislature.	Legislative Counsel Bureau
<b>New Hampshire Legislative Budget Assistant</b>	0	Legislature	Legislative Fiscal Committee	Audit reports are presented to the Legislative Fiscal Committee for their disposition.	Office of Legislative Budget Assistant is made up of two divisions- Audit Division and Budget and Fiscal Support Division
<b>New Jersey State Auditor</b>	0	Legislature	Legislative Services Commission	Periodic meeting of Commission and administrative oversight of Executive Director.	Office of Legislative Services
<b>New Mexico State Auditor</b>	1	Public			
<b>New York State Comptroller</b>	9	Public			Office of the State Comp- troller
<b>North Carolina State Auditor</b>	8	Public			
<b>North Dakota State Auditor</b>	1	Public; Legislature; Governor			

**Table 4 (continued)**  
**Organizational Structure of Office**  
(Part I: F,G,H)

<i>State/Agency</i>	<i>Number of Branch Offices</i>	<i>Agency Head Reports To</i>	<i>Oversight Department/ Committee</i>	<i>Exercise of Oversight Authority</i>	<i>Part of Larger Division</i>
<b>Ohio</b> Auditor of State	11	Public			
<b>Oklahoma</b> State Auditor and Inspector	7	Public			
<b>Oregon</b> Director of Audits	0	Secretary of State			Office of Secretary of State
<b>Pennsylvania</b> Executive Director	0	Legislature	Legislative Budget and Finance Committee	The Executive Director must obtain the officers' approval for personnel decisions and must report to the officers on a regular basis re matters pertinent to Committee activities and business.	
Auditor General	5	Public			
<b>Rhode Island</b> Auditor General	0	Joint Committee on Legislative Services	Joint Committee on Legislative Services	Approves, amends, and/or changes office budget; approves bills for salaries and agency expenses; establishes general policies under which Auditor General can independently perform duties; receives audit reports prepared by Auditor General.	Legislative branch of state government
<b>South Carolina</b> State Auditor	0	State Budget and Control Board	State Budget and Control Board	Annual evaluation of performance of state auditor; budget approval. State auditor has authority to seek additional funding directly from General Assembly.	
<b>South Dakota</b> Auditor General	1	Legislature	Executive Board of the Legislative Research Council	Approves budget, departmental policies and salary policy.	
<b>Tennessee</b> Comptroller of the Treasury	4	Legislature			
<b>Texas</b> State Auditor	2	Legislative Audit Committee	Legislative Audit Committee	Reviews/approves yearly audit plan and budget and holds periodic meetings.	
<b>Utah</b> State Auditor	0	Public			
Auditor General	0	Legislature	Audit Subcommittee	Recommends candidates for Auditor General position. Approves budget requests; approves/prioritizes audit requests; hears reports as issued	
<b>Vermont</b> Auditor of Accounts	0	Public			



**Table 4 (continued)**  
**Organizational Structure of Office**  
 (Part I: F,G,H)

<i>State/Agency</i>	<i>Number of Branch Offices</i>	<i>Agency Head Reports To</i>	<i>Oversight Department/ Committee</i>	<i>Exercise of Oversight Authority</i>	<i>Part of Larger Division</i>
<b>Virginia</b> Auditor of Public Accounts	5	Legislature	General Assembly, Joint Rules Committee, and Joint Legislative Audit and Review Commission	The JLARC approves workplan and personnel positions and policies; and Joint Rules approves agency budget.	
Director	0	Joint Legislative Commission	Joint Legislative Audit and Review Commission	Approves topics and releases reports; provides follow-up on studies.	
<b>Washington</b> Legislative Auditor	0	Legislative Budget Committee	Legislative Budget Committee	Performance audits, program evaluations, and policy analyses. Other special studies at direction of Legislature or LBC initiative.	Washing- ton State Legislature
State Auditor	20(a)	Public			
<b>West Virginia</b> Legislative Auditor	0	Legislature	Joint Committee on Government and Finance		Legislative Auditor's Office
<b>Wisconsin</b> State Auditor	0	Legislature	Joint Legislative Audit Committee (JAC); Joint Committee on Legislative Organization (JCLO)	JAC--Advisory responsibilities; may instruct State Auditor to conduct audits; study and review audit reports. JCLO--Appoints State Auditor.	
<b>Wyoming</b> Director	1	Governor, Secretary of State and State Treasurer	Governor, Secretary of State and State Treasurer	Review major issues periodically with various other committees as needed. Only the Governor, Treasurer, and Secretary of State, however, have any oversight authority.	

**Key:**

(a) 13 regional offices for Division of Municipal Corporations; 7 team offices for Division of Departmental Audits.

Table 16  
Mission, Audit Coverage, and Basis for Conducting Audits  
(Part III: A,B)

<i>State/Agency</i>	<i>Mission Statement</i>	<i>Audits All State Agencies</i>	<i>How Audits Are Conducted</i>	<i>Agencies Excluded from Audit Coverage</i>	<i>Who Audits Legislature if Agency Does Not</i>
<b>Alabama</b> Chief Examiner of Public Accounts	Y	Y	A		No one
<b>Alaska</b> Legislative Auditor	N	N		Statutory exclusions for primarily quasi-independent corporations with bonding authority and the University of Alaska	Public CPA firms
<b>Arizona</b> Auditor General	Y	Y	E		
<b>Arkansas</b> Auditor of State	Y	N		Audits performed are limited to post audit of all state warrants issued, pre-audit of state printing contracts, and state compliance audits for unclaimed and abandoned property	Maybe an independent CPA firm
Legislative Auditor	Y	N		A few agencies secure an audit from independent accountants	
<b>California</b> Auditor General	Y	N	E	Do not audit the University of California, Pension Trust Funds, and the majority of the State's enterprise funds. Other CPA firms perform these audits and they are incorporated into total audit coverage	Private CPAs
<b>Colorado</b> State Auditor	Y	Y	E; A-for some of higher education; R-for some small agencies		CPA firms
<b>Connecticut</b> Auditors of Public Accounts	Y	Y	A(a)		
<b>Delaware</b> Auditor of Accounts	Y	Y	E; T; A		CPA firm
<b>Florida</b> Auditor General	Y	N	E-financial; A-compliance, operational performance, program performance	Legislative Branch - lack of independence; Certain Housing Finance Agencies - by Statute; Department of Lottery - by Statute	Independent Public Accountants
<b>Georgia</b> State Auditor	NR	Y	A	Only agencies excluded are those where the State Auditor serves on the Board, and the Legislature	Private firm
<b>Hawaii</b> Legislative Auditor	Y	Y	A		Executive branch

Table 16 (continued)  
Mission, Audit Coverage, and Basis for Conducting Audits  
(Part III: A,B)

<i>State/Agency</i>	<i>Mission Statement</i>	<i>Audits All State Agencies</i>	<i>How Audits Are Conducted</i>	<i>Agencies Excluded from Audit Coverage</i>	<i>Who Audits Legislature if Agency Does Not</i>
<b>Idaho</b> Legislative Auditor	Y	N	A	Universities - Manpower; Public Employees Retirement System - Prestige of Big Six; Few Commodity Commissions - Excluded by law from most state requirements	Private sector CPA hired by State Auditor
<b>Illinois</b> Auditor General	Y	Y	A		
<b>Indiana</b> State Examiner	Y	Y	A		
<b>Iowa</b> Auditor of State	Y	Y	A		
<b>Kansas</b> Legislative Post Auditor	Y	Y-some under contract with CPA firms	E; A(on rotating basis)		
<b>Kentucky</b> Auditor of Public Accounts	Y	Y	E(annually); A(as needed or requested)		
<b>Louisiana</b> Legislative Auditor	Y	Y-few are contracted with IPAs	E		IPAs
<b>Maine</b> State Auditor	Y	Y	E		
<b>Maryland</b> Legislative Auditor	Y	Y	A	Legislative branch	Independent CPA firm
<b>Massachusetts</b> State Auditor	Y	Y	E; A; R		Independent CPA
<b>Michigan</b> Auditor General	Y	Y	R		
<b>Minnesota</b> Legislative Auditor	Y	Y	E-annually for operations material to CAFR; A; R		Senate and some legislative commissions and Legislative Auditor's Office have been audited by CPA firms
<b>Mississippi</b> State Auditor	Y	Y	E; T		
<b>Executive Director</b>	NR	Y	A		
<b>Missouri</b> State Auditor	N(b)	Y	E; A		
<b>Montana</b> State Auditor	Y	N	A	NR	Contracted
<b>Legislative Auditor</b>	Y	Y(c)			Contract auditor
<b>Nebraska</b> Auditor of Public Accounts	N	Y	A		

Table 16 (continued)  
**Mission, Audit Coverage, and Basis for Conducting Audits**  
 (Part III: A,B)

<i>State/Agency</i>	<i>Mission Statement</i>	<i>Audits All State Agencies</i>	<i>How Audits Are Conducted</i>	<i>Agencies Excluded from Audit Coverage</i>	<i>Who Audits Legislature if Agency Does Not</i>
Nevada Legislative Auditor	Y	Y	A		Public Accounting Firm
New Hampshire Legislative Budget Assistant	Y	Y	A		
New Jersey State Auditor	Y	Y	E; A; R		
New Mexico State Auditor	Y	Y	A		Independent CPAs under contract approved by this office
New York State Comptroller	Y(S); N(C); N(M)	Y(S); N(C); N(M)	A		
North Carolina State Auditor	Y	Y	E-CAFR, single audit; A-university, performance; R-Clerks of Court		
North Dakota State Auditor	Y	Y	E; A; R		Private CPA firm
Ohio Auditor of State	Y	Y	E; A		
Oklahoma State Auditor and Inspector	Y	N	E	Several entities for which the State Auditor has administrative responsibilities are audited by others due to independence	Outside CPA firm
Oregon Director of Audits	Y	Y	E; A		
Pennsylvania Executive Director	Y	N	NR	Audits of state agencies are done only if they are mandated by law or if adopted by the Committee.	Private accounting firm
Auditor General	Y	N	NR	State Public School Building Authority; PA Higher Educational Facilities Authority; PA Higher Education Assistance Agency; PA State Employees' Retirement System; PA Public School Employees' Retirement System; PA Housing Finance Agency; General State Authority; PA Industrial Development Authority; State Highway and Bridge Authority; PA General Assembly; PA Judiciary; State System of Higher Education (d)	CPA firms
Rhode Island Auditor General	Y	N		Agencies within the Legislative Branch; Public Utilities	Periodic outside review
South Carolina State Auditor	Y	N	E; A	Certain agencies, by statute, hire their own independent auditors	

Table 16 (continued)  
Mission, Audit Coverage, and Basis for Conducting Audits  
(Part III: A,B)

<i>State/Agency</i>	<i>Mission Statement</i>	<i>Audits All State Agencies</i>	<i>How Audits Are Conducted</i>	<i>Agencies Excluded from Audit Coverage</i>	<i>Who Audits Legislature if Agency Does Not</i>
<b>South Dakota</b> Auditor General	Y	Y	E		
<b>Tennessee</b> Comptroller of the Treasury	Y	Y	E-for single audit purposes; A		
<b>Texas</b> State Auditor	Y	Y	E; T-used as planning criteria within statewide financial-performance auditing; R-some audits are on cycles		
<b>Utah</b> State Auditor	Y	Y	E		
Auditor General	Y	Y	A		State Auditor
<b>Vermont</b> Auditor of Accounts	Y	Y	E		
<b>Virginia</b> Auditor of Public Accounts	Y	Y	E; A		Public accounting firm selected every two years
Director	Y(f)	Y(f)	E; T; A; R (working capital fund agencies)		Private CPA firm is procured through JLARC
<b>Washington</b> Legislative Auditor	Y	Y	T		State Auditor-fiscal audit
State Auditor	Y	Y	E		
<b>West Virginia</b> Legislative Auditor	Y	Y	A		
<b>Wisconsin</b> State Auditor	Y	Y	E; A		
<b>Wyoming</b> Director	Y	Y(e)	A-annually		

Table 16 (continued)  
**Mission, Audit Coverage, and Basis for Conducting Audits**  
 (Part III: A,B)

**Key:**

Y Yes  
 N No  
 NR No Response

E Statewide basis  
 A Agency by agency basis  
 T Sample basis  
 R Rotating basis

(S) State agencies  
 (C) New York City audits  
 (M) Localities

- (a) Plan to conduct a statewide CAFR and Federal Funds Audit for 91-92 fiscal year.
- (b) The responsibilities of the SAO are defined by statute; there is no separate mission statement.
- (c) Legislative branch is done under contract with Legislative Auditor
- (d) Agencies audited by CPA firms and office relies upon the work performed by the CPA firms.
- (e) Unless state agencies elect to have an audit by a CPA firm.
- (f) For performance audits only.

**Table 20a**  
**Types of Audits Performed**  
 (Part III: G)

<i>State/Agency</i>	<i>Single Audit</i>	<i>Financial Statement</i>	<i>Financial Related</i>	<i>Economy and Efficiency</i>	<i>Program</i>
<b>Alabama</b> Chief Examiner of Public Accounts	Y	Y			
<b>Alaska</b> Legislative Auditor	Y		Y	Y	Y
<b>Arizona</b> Auditor General	Y	Y	Y	Y	Y
<b>Arkansas</b> Auditor of State Legislative Auditor	Y	Y			
<b>California</b> Auditor General	Y	Y	Y	Y	Y
<b>Colorado</b> State Auditor	Y	Y	Y	Y	Y
<b>Connecticut</b> Auditors of Public Accounts	Y	Y	Y	Y	Y
<b>Delaware</b> Auditor of Accounts	Y	Y	Y		
<b>Florida</b> Auditor General	Y	Y	Y	Y	Y
<b>Georgia</b> State Auditor	Y	Y	Y	Y	Y
<b>Hawaii</b> Legislative Auditor		Y(a)	Y	Y	Y
<b>Idaho</b> Legislative Auditor	Y	Y	Y		
<b>Illinois</b> Auditor General	Y	Y	Y	Y	Y
<b>Indiana</b> State Examiner	Y	Y	Y		
<b>Iowa</b> Auditor of State	Y	Y	Y		
<b>Kansas</b> Legislative Post Auditor				Y	Y
<b>Kentucky</b> Auditor of Public Accounts	Y	Y	Y		
<b>Louisiana</b> Legislative Auditor	Y	Y	Y	Y	Y
<b>Maine</b> State Auditor	Y	Y			
<b>Maryland</b> Legislative Auditor		Y	Y	Y	Y
<b>Massachusetts</b> State Auditor	Y	Y	Y	Y	Y
<b>Michigan</b> Auditor General	Y	Y	Y	Y	Y
<b>Minnesota</b> Legislative Auditor	Y	Y	Y	Y	Y
<b>Mississippi</b> State Auditor Executive Director	Y	Y		Y	
<b>Missouri</b> State Auditor	Y	Y	Y	Y	

Table 20a (continued)  
Types of Audits Performed  
(Part III: G)

<i>State/Agency</i>	<i>Single Audit</i>	<i>Financial Statements</i>	<i>Financial Related</i>	<i>Economy and Efficiency</i>	<i>Program</i>
<b>Montana</b> State Auditor		Y		Y	Y
Legislative Auditor	Y	Y	Y	Y	Y
<b>Nebraska</b> Auditor of Public Accounts	Y	Y			Y
<b>Nevada</b> Legislative Auditor	Y(a)	Y	Y	Y	
<b>New Hampshire</b> Legislative Budget Assistant				Y	Y
<b>New Jersey</b> State Auditor	Y	Y	Y		Y
<b>New Mexico</b> State Auditor	Y	Y	Y		
<b>New York</b> State Comptroller			Y(S)(M)	Y(S)(C)	Y(S)(C)
<b>North Carolina</b> State Auditor	Y	Y	Y	Y	Y
<b>North Dakota</b> State Auditor	Y	Y	Y	Y	
<b>Ohio</b> Auditor of State	Y	Y	Y		
<b>Oklahoma</b> State Auditor and Inspector	Y	Y(b)			
<b>Oregon</b> Director of Audits	Y	Y	Y	Y	Y
<b>Pennsylvania</b> Executive Director Auditor General	Y	Y	Y Y	Y	Y
<b>Rhode Island</b> Auditor General	Y	Y	Y	Y	Y
<b>South Carolina</b> State Auditor	Y	Y			
<b>South Dakota</b> Auditor General	Y	Y			
<b>Tennessee</b> Comptroller of the Treasury	Y	Y	Y	Y	Y
<b>Texas</b> State Auditor	Y	Y	Y	Y	Y
<b>Utah</b> State Auditor Auditor General	Y	Y		Y	Y
<b>Vermont</b> Auditor of Accounts	Y	Y	Y		
<b>Virginia</b> Auditor of Public Accounts Director	Y	Y	Y	Y	Y
<b>Washington</b> Legislative Auditor State Auditor	Y	Y		Y	Y
<b>West Virginia</b> Legislative Auditor		Y	Y		



Table 20a (continued)  
**Types of Audits Performed**  
 (Part III: G)

<i>State/Agency</i>	<i>Single Audit</i>	<i>Financial Statement</i>	<i>Financial Related</i>	<i>Economy and Efficiency</i>	<i>Program</i>
<b>Wisconsin State Auditor</b>	Y	Y	Y	Y	Y
<b>Wyoming Director</b>	Y				Y - federal program

**Key:**

See Table 20b for key.

**Table 46**  
**Composition of Agency Staff, as of October 1, 1991**  
 (Part VI: G)

<i>State/Agency</i>	<i>CPAs</i>	<i>CIAs</i>	<i>Attorneys</i>	<i>Statisticians</i>	<i>Economists</i>	<i>EDP Specialists</i>
<b>Alabama</b> Chief Examiner of Public Accounts	30	3	4			2
<b>Alaska</b> Legislative Auditor	22					3
<b>Arizona</b> Auditor General	50	1	1			5
<b>Arkansas</b> Auditor of State	0	0	0	0	0	0
Legislative Auditor	110		1			4
<b>California</b> Auditor General	33	1	2			5
<b>Colorado</b> State Auditor	35	4		5		5
<b>Connecticut</b> Auditors of Public Accounts	27	4				
<b>Delaware</b> Auditor of Accounts						1(1 CISA)
<b>Florida</b> Auditor General	211		9			
<b>Georgia</b> State Auditor	23	1	1		3	7
<b>Hawaii</b> Legislative Auditor	2		2			
<b>Idaho</b> Legislative Auditor	6(a)					1
<b>Illinois</b> Auditor General	14	1	1	1	5	5
<b>Indiana</b> State Examiner	103		2			7
<b>Iowa</b> Auditor of State	70	4				
<b>Kansas</b> Legislative Post Auditor	1	2	2		1	1
<b>Kentucky</b> Auditor of Public Accounts	33	1	2			4
<b>Louisiana</b> Legislative Auditor	70	6	1	2(b)		
<b>Maine</b> State Auditor	5	9				2
<b>Maryland</b> Legislative Auditor	66					4 (CISAs)
<b>Massachusetts</b> State Auditor	20		6			10
<b>Michigan</b> Auditor General	73	5				12
<b>Minnesota</b> Legislative Auditor	33	2		2	2	8

Table 46 (continued)  
Composition of Agency Staff, as of October 1, 1991  
(Part VI: G)

State/Agency	CPAs	CIAs	Attorneys	Statisticians	Economists	EDP Specialists
Mississippi State Auditor	46	1				8(c)
Executive Director	3		2	2		2
Missouri State Auditor	70(d)	2	1			5
Montana State Auditor	3		3	1		
Legislative Auditor	19		1	2	5	5
Nebraska Auditor of Public Accounts	18					
Nevada Legislative Auditor	18					1
New Hampshire Legislative Budget Assistant	12		1			
New Jersey State Auditor	18					5
New Mexico State Auditor	8	1	2			1
New York State Comptroller	38(S), 39(M), 7(C)	15(S), 2(C)	1(C)			59(S), 4(C)
North Carolina State Auditor	59		2			9 (CISAs and Micro spec.)
North Dakota State Auditor	20	10				1
Ohio Auditor of State	66		10			
Oklahoma State Auditor and Inspector	18		1			7
Oregon Director of Audits	50	3				4
Pennsylvania Executive Director	2		2			1
Auditor General	53	1	6			3
Rhode Island Auditor General	12	2	1			2
South Carolina State Auditor	32					
South Dakota Auditor General	11					3
Tennessee Comptroller of the Treasury	104	3	3	1	1	12
Texas State Auditor	113	25	5	1		25 (includes system analyst series)

**Table 46 (continued)**  
**Composition of Agency Staff, as of October 1, 1991**  
 (Part VI: G)

<i>State/Agency</i>	<i>CPAs</i>	<i>CIAs</i>	<i>Attorneys</i>	<i>Statisticians</i>	<i>Economists</i>	<i>EDP Specialists</i>
<b>Utah</b>						
State Auditor	18					3
Auditor General	2	4				
<b>Vermont</b>						
Auditor of Accounts		1				1
<b>Virginia</b>						
Auditor of Public Accounts	78					12 (4 CISAs)
Director	(e)					
<b>Washington</b>						
Legislative Auditor			1			
State Auditor	134	6		1		26
<b>West Virginia</b>						
Legislative Auditor	3					
<b>Wisconsin</b>						
State Auditor	20	1	1			5
<b>Wyoming</b>						
State Examiner	6	1				

**Key:**

- (S) State agencies  
 (M) Localities  
 (C) New York City audits

- (a) Several others are completing experience requirements.  
 (b) Actuaries.  
 (c) Information management assistance rather than EDP auditors.  
 (d) Six other staff members have passed the examination, but have not met the experience requirement for licensure.  
 (e) Thirty-three staff generalists with quantitative backgrounds.

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## **Chapter 29A. LEGISLATIVE OVERSIGHT.**

§ 29A-1. Title.

§ 29A-2. Findings.

§ 29A-3. Purpose.

§ 29A-4. Repealed.

§ 29A-5. Office of legislative oversight--Responsibilities, powers and duties.

§ 29A-6. Same--Work program.

§ 29A-7. Access to records and information; retaliation prohibited.

§ 29A-8. Power of council to subpoena witnesses and administer oaths.

§ 29A-9. Reports.

§ 29A-10. Penalties.

### **Sec. 29A-1. Title.**

This chapter shall be known as the "Montgomery County legislative oversight act." (1976 L.M.C., ch. 18, § 1.)

### **Sec. 29A-2. Findings.**

The county council regards economical and efficient management and the judicious use of public funds and resources as a primary responsibility of the various public agencies and departments. The expanded scope, complexity and cost of county government necessary to respond to increased needs and demands of county residents make it essential that each county department, agency and instrumentality, and each government related and funded entity, have strong financial management and sound management practices and controls. County growth has added to the duties and responsibilities of government officials and employees. Every available tool is needed to help in the administration of programs and the expenditure of funds in accordance with the needs of county citizens as those needs are expressed through actions of the county council.

On several occasions the county council has recognized the need for assurance that the manner in which certain programs and activities are being operated is in the best interests of the county. Staff and time limitations on the part of the council have, in most cases, made impossible the investigation and evaluation by the council itself. Frequently the council has found it necessary to rely on review and evaluation by the officials responsible for the programs and activities in question or by entities directly or indirectly related to those programs and activities. It is clear to the council that this procedure is no longer a satisfactory method to assure confidence in the integrity and efficiency of county government and government related activities within the community. A sound on-going mechanism for objective review and evaluation outside the programs and activities under consideration is urgently needed. The council intends this chapter to provide the means for determining how well management, financial and program responsibilities of organizations using county funds are carried out. (1976 L.M.C., ch. 18, § 1.)

### **Sec. 29A-3. Purpose.**

The purpose of this chapter is to provide a mechanism to review and enhance economy and efficiency in the management and operation of county government, other public agencies and government related and funded activities. This chapter is intended to facilitate maximum results for each tax dollar spent in the county, to bring about cost savings wherever possible, and to assure that the mandate and intent of federal, state and local legislation affecting the county is carried out in the best possible manner to meet community needs. (1976 L.M.C., ch. 18, § 1.)

**Sec. 29A-4. Reserved.**

**Editor's note**--Section 29A-4, establishing the office of legislative oversight and providing for its director, derived from 1976 L.M.C., ch. 18, § 1, and 1985 L.M.C., ch. 3, § 1, was repealed by 1986 L.M.C., ch. 37, § 4. See now § 1A-203(b) and § 1A-204(b)(2)a.

**Sec. 29A-5. Office of legislative oversight--Responsibilities, powers and duties.**

*(a) General responsibilities.*

- (1) The office shall serve as a principal means through which the county council exercises its legislative oversight functions.
- (2) The overall responsibility of the office shall be to determine the effectiveness of funding and legislation approved and

enacted by the council in meeting community needs. Emphasis shall be on the relationship between benefits derived from services performed and the public costs involved in providing those services.

- (3) The office shall provide the council with information, analyses and recommendations concerning the management and operations of public and private agencies and instrumentalities for which funds are appropriated or approved by the council or which directly or indirectly use funds appropriated or approved by the council.

*(b) Powers and duties.* In addition to any other power, duty, or responsibility provided in this Chapter, the Office has the following powers and duties:

- (1) Review and evaluate financial controls and accountability, efficiency of management and utilization of resources, internal controls, and effectiveness of program results of the various departments, agencies and entities using funds appropriated or approved by the county council.
- (2) Report on conditions found, identify weaknesses, and suggest ways and means for improvement of financial and operating management, including prescribed principles and standards of accountability and internal controls.
- (3) Evaluate new legislative proposals and requests for appropriations in terms of availability and effectiveness of existing resources to meet the needs and to fulfil the purposes of the new proposals.
- (4) Conduct special audits, surveys and investigations at the request of the county council.
- (5) Conduct special program or budget analyses on selected operational units, programs, functions, and activities.
- (6) Structure the review and evaluation program of the office so as to avoid duplication of effort and to make maximum use of all available resources.
- (7) Allocate resources to those areas known or considered to be of direct interest to the county council in accordance with the work program approved by the council for the office.
- (8) Report to the county council and to the general public its findings and recommendations in the manner provided in section 29A-9 of this chapter.

- (9) Administer contracts with the certified public accountant employed by the council to conduct the annual audit of county transactions pursuant to the county charter.
- (10) Develop uniform review and evaluation procedures, guidelines and regulations for the conduct and explanation of audits, surveys and investigations under this chapter. Regulations that may be issued pursuant to this chapter shall be adopted under method (2) of section 2A-15 of this Code.
- (11) Employ consultants and technical advisors as might be necessary to carry out the purposes of this chapter in accordance with funds appropriated by the county council.
- (12) Review all post audit reports by certified public accountants hired by other public county and bi-county agencies and request comments from agency directors on the certified public accountant's findings.
- (13) Review all executive branch internal audit and program evaluation reports and request comments from agency directors.
- (14) Report to the county council on contract administration and performance, using a random sample of county contracts. (1976 L.M.C., ch. 18, § 1; 1984 L.M.C., ch. 24, § 33; 1985 L.M.C., ch. 3, § 1; 1992 L.M.C., ch. 16, § 1.)

**Sec. 29A-6. Same--Work program.**

(a) The office shall prepare an annual work program, which shall be submitted to the county council for approval or modification.

(b) The work program recommended by the office shall allocate available resources based on:

- (1) Statutory requirements.
- (2) Council requests and indication of council interest.
- (3) Potential areas of improvement in management and financial controls and operations.
- (4) Areas which have been identified as involving weaknesses in management and financial controls and operations.
- (5) Programs with large expenditures, assets or revenues.
- (6) Operational units, programs, functions, and activities identified by the Council as requiring special program or budget analyses and review. (1976 L.M.C., ch. 18, § 1; 1992 L.M.C., ch. 16, § 1.)

**Sec. 29A-7. Access to records and information; retaliation prohibited.**

(a) The office of legislative oversight shall have access to, and the right to examine, any pertinent books, documents, papers or records of any department, agency or instrumentality or any contractor with the county or its instrumentalities necessary to carry out the responsibilities assigned hereunder.

(b) Included within the scope of this section shall be such information as is necessary to determine powers, duties, activities, organization, financial transactions and methods of operation, management and accountability.

(c) No employee of the county government or any instrumentality of the county and no employee of any contractor with the county or any of its instrumentalities shall be retaliated against or penalized, or threatened with retaliation or penalty, for providing information to, cooperating with, or in any way assisting the office of legislative oversight in connection with any activity of that office carried out pursuant to the provisions of this chapter. (1976 L.M.C., ch. 18, § 1.)

**Sec. 29A-8. Power of council to subpoena witnesses and administer oaths.**

Upon request by the director, and pursuant to the authority contained in chapter 2, section 2-20 of this Code, the county council may issue subpoenas for witnesses, and the presiding member of the council may administer the oath or affirmation to any witness who may be examined before the council or a council committee in connection with any investigation, inquiry or survey authority pursuant to this chapter. (1976 L.M.C., ch. 18, § 1.)

**Sec. 29A-9. Reports.**

(a) The report by the office of each audit, survey or investigation conducted pursuant to this chapter shall be submitted in writing to the county council. Except as otherwise provided in subsection (b) of this section, all reports shall be made available by the council to:

- (1) The general public; and
- (2) The director of any agency or department that is the subject of a report. Thirty (30) days after receipt, the agency or department director shall give the county written comments on the report findings. The agency or department director shall also give the county council status reports on actions taken to resolve the problems indicated in the report findings. The status reports shall be given every six (6) months, from the date of the director's comments, until all problems are resolved.

(b) Within fifteen (15) days following receipt of a written report from the office, the council shall determine whether the report, or any part of the report, shall not be made public. The only basis on which a report or any part of a report may not be made public is if the report or part contains information that would not be available for public inspection pursuant to article 76A (public information) of the Annotated Code of Maryland.

(c) If a report, or any part of a report, is not made public by the council, the office shall promptly release to the public a general summary of the report or part together with the reasons why the report or part was not made public. (1976 L.M.C., ch. 18, § 1; 1985 L.M.C., ch. 3, § 1.)

**Sec. 29A-10. Penalties.**

Anyone failing to respond to a valid request by the office pertinent to the matter under consideration for the production of records and information pursuant to section 29A-7 of this chapter, anyone failing to respond to a subpoena issued by the council pursuant to section 29A-8 of this chapter, anyone who knowingly gives false or misleading information in connection with any audit, survey or investigation conducted pursuant to this chapter, or anyone who retaliates against or who threatens retaliation against any person for that person's furnishing of information or cooperation in any investigation or inquiry conducted pursuant to this chapter shall be punished for a class A violation as set forth in section 1-19 of chapter 1 of this Code. (1976 L.M.C., ch. 18, § 1; 1985 L.M.C., ch. 3, § 1.)



**Sec. 1A-204. Supervision of offices and appointment of heads.**

*(a) Executive Branch.*

- (1) Every office established under section 1A-203(a) is under the supervision of an executive director who is appointed by the chief administrative officer.
- (2) Executive directors are merit system employees.

*(b) Legislative Branch.*

- (1) Office of the County Council.
  - a. The council appoints the staff director as provided for in section 1A-102(c), and may give direction to members of the council's staff. In the absence of direction from the council, officers of the council may give directions to the council's staff.
  - b. Except for the secretary of the council, the staff director of the office of the county council or some other person designated by the council appoints and supervises all merit system employees of the office.
  - c. Under the merit system laws, the county council appoints and removes the secretary of the council by a resolution approved by a majority of all councilmembers in office.
  - d. The staff director supervises the secretary on all matters.
- (2) Office of Legislative Oversight.
  - a. A majority of councilmembers in office appoints the director of the office of legislative oversight.
  - b. The director is not a merit system employee.
  - c. Beginning on January 1, 1988, the term of the director is four (4) years. There is no limit to the number of terms that a director may serve. If the county council has not appointed a successor when a director's term expires, the director continues to serve until an appointed successor assumes office. The successor serves for the unexpired part of the term.
  - d. The county council may dismiss the director for good cause before the end of the director's term. Before doing so, the council must tell the director the council's reasons for the dismissal. If the director requests a hearing, the council must hold one and then issue a written decision to the director.
  - e. The director appoints and supervises all merit system employees of the office. The office and the employees operate independently of the council's staff.



Resolution No. 13-223  
Introduced: July 11, 1995  
Adopted: July 18, 1995

COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND

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By: County Council

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SUBJECT: FY 96 Work Program of the Office of Legislative Oversight

Background

1. Chapter 29A, Montgomery County Code, established the Office of Legislative Oversight (OLO) with the responsibility: to determine by program evaluation, audit, and investigation the effectiveness of funding and legislation in meeting community needs; to conduct special audits, surveys and investigations at the request of the Council; and to make recommendations to the Council concerning the performance, management, and operations of public and private agencies, programs, and functions for which funds are appropriated or approved by the Council.

2. Section 29A-6 provides that the Director, Office of Legislative Oversight shall prepare an annual Work Program which shall be submitted to the Council for approval or modification.

3. The Director, Office of Legislative Oversight, submitted a proposed Work Program for FY 96, which was reviewed by the Council's Management and Fiscal Policy (MFP) Committee on June 26, 1995, and by the Council on July 11, 1995.

Action

The County Council for Montgomery County, Maryland, approves the following FY 96 Work Program for the Office of Legislative Oversight:

OFFICE OF LEGISLATIVE OVERSIGHT FY 96 WORK PROGRAM

**Project #1:**                      **Decision structures for technology and telecommunication projects**

Principal agencies affected: County and bi-County agencies

Origin of project:              Councilmember recommendation

Description: The purpose of this project is to provide the Council with recommended guidelines for the evaluation and ongoing monitoring of major technology and telecommunication initiatives. The first phase of this project, completed in FY 95, produced an inventory of major technology and telecommunication initiatives across the five agencies. This report indicated that in the next few years the County will face major technology needs in education, public safety, health and human services, and general administrative services.

The second phase of this project, to be completed during the first quarter of FY 96, will survey businesses and other governments to identify how planning and budgeting decisions are made, how technology is used to consolidate functions across agencies, and what models are used to monitor project costs, savings, and outcomes. The product of this phase will be OLO's recommendations on how the Council should approach its review, evaluation, and ongoing monitoring of major technology and telecommunication projects.

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**Project #2:**                      **Techniques for developing program outcome measures**

Principal agencies affected: County and bi-County agencies

Origin of project:              Councilmember recommendation

Description: The Council has identified the need for agencies to improve how they develop and use program outcome measures. The intent of this project is to enhance the ability of the Council to evaluate agency progress in this area. During FY 95, OLO contracted with the National Academy of Public Administration (NAPA) to describe the process for developing program outcome measures and to recommend outcome measures for major technology projects, using Global Access, the Radio System Project (800 Megahertz) and the Community Services Workstation project as case studies. The product for this OLO project will be a report to the Council during the first quarter of FY 96.

**Project #3:****Program outcomes: Part 2**

**Principal agencies affected:** County and bi-County agencies

**Origin of project:** Councilmember recommendation

**Description:** This project is the second phase of OLO's work on program outcomes, described in Project #2 above. In particular, this project will provide a more in-depth study of techniques for developing program outcome measures, using Global Access as a working example. The project will be conducted in cooperation with Montgomery County Public Schools (MCPS) staff and with assistance from a consultant with expertise in establishing outcome measures for education and technology projects. The product for this second phase will be a report to the Council that includes a model, using Global Access as the case study, for how to use an outcomes approach as an integral part of Council and agency decision making.

The scope and timetable for this project will be further refined after OLO's current work on program outcomes is completed, and based on further consultation with MCPS staff. OLO will return to the Council to discuss a more detailed work plan for the project, including a proposed level of funding for contract professional services.

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**Project #4:****Description and evaluation of warrant processing in Montgomery County**

**Principal agencies affected:** County Government, Sheriff, Courts

**Origin of project:** County Council

**Description:** In March 1993, a report was presented to the Montgomery County Criminal Justice Coordinating Commission on warrant processing. The major findings in the report were that there is a considerable backlog of outstanding warrants and certain warrant tracking systems lack coordination.

This project reviews jurisdictional responsibilities for processing warrants, coordination between and among the court system and law enforcement agencies, and the use of automation in processing and tracking outstanding warrants. The study also focuses on identifying measures to reduce the current warrant backlog and control future backlogs. This study is substantially complete and a draft report will be distributed for agency review and comment this summer.

**Project #5:** A review of group insurance benefits for retirees

**Principal agencies affected:** County and bi-County agencies

Origin of project: Council budget process

**Description:** This project reviews the group insurance benefits (health, life, dental, prescription drug insurance, etc.) available to current and future retirees of the five major County and bi-County agencies. Substantial work was completed on this study during FY 95. A draft report will be circulated for agency review and comment this summer.

Issues being addressed include: eligibility requirements; levels of coverage for survivors/dependents; approaches to funding and pricing benefits; plan options for retirees under age 65 and over age 65; provisions for out-of-area retirees; and approaches to transfer season and re-enrollment options for retirees. Data are also being compiled for each agency on the number of retirees receiving group insurance benefits, and estimates of current and projected costs.

**Project #6**                      **Contract for independent auditors**

**Principal agency affected:** County Government

Origin of Project: Montgomery County Charter

**Description:** Section 315 of the Montgomery County Charter requires the Council to contract with a certified public accountant annually to perform an independent audit of the County's financial statements and supporting documentation. Council Resolution 10-457 assigns responsibility to OLO for providing support to the Council during the period of audit engagements and to act as Contract Administrator. During FY 96, OLO will perform two distinct activities relating to these responsibilities.

### A. Administration of Existing Contract

The current contract for independent auditing services was awarded to KPMG Peat Marwick for work relating to the County's financial statements for the fiscal year ending June 30, 1992. This contract was amended for auditing services for fiscal years 1993, 1994, and 1995. During FY 96, OLO will continue as Contract Administrator for this contract, to include reviewing the FY 95 financial statements and reports for the Single Audit of Federal Grants, the 9-1-1 System, Certification of UMTA Statements, Fire and Rescue Corporations, and the County Government. In addition, OLO will assist the MFP Committee review the Executive Branch and Fire and Rescue Commission responses to the audit Management Letters.

### B. Awarding of New Contract for FY 96 Audits

Since it has been Council policy to re-bid independent auditing services every four years, OLO will prepare a Request for Proposals (RFP) to solicit independent auditing services for the fiscal year June 30, 1996, with renewal options for auditing fiscal years 1997, 1998, and 1999. In addition, OLO will coordinate and oversee evaluation of the RFP responses, prepare necessary documents, resolutions, and contracts for Council approval, and perform other contract administration duties as necessary.

**Description:** This study was started during FY 95 and is scheduled to be completed this fall. The purpose of this project is to compile information about how the Federal government and selected state and local governments structure the legislative oversight function. Data are being compiled on factors such as: mission definition, staffing, reporting structure, project selection, and delivery of findings. Information is also being gathered about the structure and staffing of the internal auditing function, including specific examples of Inspector General offices. The memorandum report that results from this project can serve as the forum for discussing possible changes to OLO's law and/or operations.

- general information about the pros and cons of different variable rate program options, i.e., volume-based vs. weight based, variable can system, prepaid bag system, etc.;
- data on the implementation experience of selected communities that have adopted variable rate pricing, to include available evidence on the impact of variable rate pricing on waste reduction and recycling rates; and
- different approaches to conducting reliable evaluations of variable rate programs.

**Project #9: Review of alternative approaches to adjusting employees' base pay**

**Principal agencies affected:** County and bi-County agencies

Origin of project: Councilmember recommendation

**Description:** Every year, adjustments to employees' base pay constitute the largest dollar increase in the compensation requests of the five major County and bi-County agencies. Adjustments to base pay include costs for general pay adjustments and costs of employees' increments/steps. Adjustments to base pay also increase agency costs of benefits that are calculated as a function of base salary: social security, retirement contributions, and life/LTD insurance.

The purpose of this OLO project is to compile and analyze information about alternative approaches used in public and private sector organizations to adjust employees' base pay. A special effort will be made to identify models for linking pay adjustments to employee performance and productivity.

**Project #10: Financing alternatives for stormwater management projects**

**Principal agency affected:** County Government

Origin of project: Councilmember recommendation

**Description:** In 1991, Office of Legislative Oversight Report 90-4 examined how the Department of Environmental Protection carried out its duties and responsibilities in the areas of sediment control and stormwater management. One of OLO's conclusions was that the County lacks a reliable and dedicated source of funding for accomplishing its erosion and sediment control, stormwater management, and water quality responsibilities.

This project follows up OLO's previous work on funding stormwater management projects. Specifically, the scope of this project will be to analyze and evaluate options for funding the planning, construction, and maintenance of stormwater management projects.

OLO's work on financing alternatives will be coordinated with related work being done in conjunction with the Water Quality Summit that is scheduled for later this year. It will also be coordinated with Executive branch and Council staff efforts to estimate the magnitude of revenue needed to fund the County's stormwater management program.



C-7



**Project #14****Follow up on previous OLO reports and projects****Principal agencies affected:** County and bi-County agencies**Description:** This project represents OLO staff time expected to be spent on follow-up activities related to previous OLO reports and projects.**14A. Follow up on Radio Communications Master Plan special budget project (800 Megahertz) and technical study on communication towers and monopoles**

**Description:** In April 1995, the Council identified alternatives for upgrading the existing Public Safety Radio System that deserved additional analysis. During FY 96, OLO will monitor the completion of follow-up work related to these alternatives, and analyze the results to develop recommendations for Committee and Council worksessions.

Council Resolution 13-102 requested the Interagency Technology Policy and Coordination Committee (ITPCC) to prepare a technical study to identify the collective effects of towers and monopoles that will be needed to meet County and cellular communication needs in the near term. The ITPCC has directed a staff group to move forward with this study. During FY 96, OLO will participate on the staff group and assist with the Council's review of the study.

**14B. Follow up to performance audit of solid waste collection and financial analysis of the solid waste funds**

**Description:** During FY 95, OLO administered contracts for a performance audit of solid waste collection and a financial analysis of the solid waste funds.

The Council's worksessions on the performance audit resulted in Council decisions on residential refuse and yard trim collection, which were formally communicated to the County Executive in a May 22 memorandum from the Council President. During FY 96, OLO will assist Council staff to follow up on the issues raised in the performance audit.

The financial analysis was presented to the Council on June 27 and is scheduled for a T&E Committee worksession on July 17. During FY 96, OLO will staff Committee and Council consideration of the recommendations offered in the financial analysis of the solid waste funds.

**14C. Follow up on implementation of the Council's policy directive on contracting**

Description: OLO Report 94-5 reviewed the criteria used and processes followed by County agencies to identify potential activities and programs for contracting with private providers to deliver government services. The study also examined how decisions to contract out are being made and implemented.

On March 13, 1995, the MFP Committee considered the recommendations contained in OLO Report 94-5. The Committee requested input from Councilmembers and staff on possible requirements. During FY 96, OLO will perform follow-up work for Committee and Council consideration that focuses on reporting formats.

**14D. Follow up on review of Fire and Rescue Corporation cash allocations and reporting requirements**

Description: During FY 95, KPMG Peat Marwick reviewed the reporting requirements that the County places on Fire and Rescue Corporations, and provided an analysis of cash allocations to the fire corporations, as they are affected by audit adjustments, timing of the audit, and year-end fund balances. Based on Peat Marwick's report, OLO developed recommendations.

During FY 96, OLO will continue to monitor the implementation of these recommendations, and provide staff support for any further Committee and Council consideration of issues relating to Fire and Rescue Corporation cash allocations and reporting requirements.

**14E. Follow up to Total Compensation Study**

Description: The Total Compensation Study was transmitted to the Council in April 1994. Multiple MFP Committee meetings were held during the course of conducting the study, to discuss the methods used and the report's major findings.

During FY 95, the MFP Committee solicited comments from both agency decision-makers and staff on the utility of the raw data, the relative value analysis, and the aggregate cost analysis used in the Total Compensation Study. During FY 96, OLO will assist the MFP Committee review the agency comments and develop recommendations for future Council efforts to compile comparative data on pay and benefits.

**14F. Follow up to evaluation of new home warranty and builder licensing law**

**Description:** During FY 96, the Public Safety Committee is interested in examining issues related to licensing new home builders and the role of the Board of Registration. Working in consultation with Council staff, OLO will prepare a Committee worksession packet that outlines the related issues raised in OLO 91-4 that have not yet been addressed by the Council.

The focus of the Committee worksession will be to identify the staff work that needs to be done (i.e., updating information, researching new issues) and to develop a strategy for accomplishing the work.

**14G. Follow up to report on the Emergency Communications Center**

**Description:** The Council released OLO Report 92-5, Organization and Management of the Montgomery County Emergency Communications Center, in April 1993. The Public Safety Committee held worksessions on the report and drafted a resolution that incorporated recommendations to the County Executive on cross training and consolidation of call taking and dispatch functions of the ECC. The Committee resolution was scheduled for Council introduction in October 1994, but at the request of the Executive branch was never formally introduced.

During FY 96, OLO will assist Council staff to follow up with additional Committee and Council discussion of issues raised in OLO Report 92-5.

**14H. Follow up to evaluation of the Cooperative Extension Service**

**Description:** The Council released OLO Report 94-3, Montgomery Cooperative Extension Service, in May 1994. The report is pending discussion by a joint session of the HHS and T&E Committees. During FY 96, OLO will assist Council staff to follow up with any Committee and Council discussion of the issues raised in OLO Report 94-3.

**14I. Follow up to previous work on contracting and privatization of  
Department of Liquor Control operations**

**Description:** In September 1992, the Council released OLO Report 91-2, Feasibility of Contracting or Privatizing Elements of the Department of Liquor Control Operations. As a follow up to the feasibility study, the Council appointed an independent task force to monitor and evaluate a pilot test of contracting County liquor stores, and to consider further privatization and contracting strategies for DLC operations.

During FY 94, the Council considered recommendations contained in the Liquor Task Force Report. The DLC submitted a business plan to the Council and Executive in April 1994, and KPMG Peat Marwick submitted independent recommendations to the Council in May 1994. The Council subsequently considered both the business plan and the Peat Marwick recommendations in conjunction with the FYs 95 and 96 budgets for DLC.

This project represents OLO staff time expected to be spent during FY 96 providing technical assistance to the Council in relation to the pilot test, the DLC business plan, and the Peat Marwick recommendations. Specifically, OLO expects to work with Council staff to review any evaluations of the pilot test and conduct research and analysis as needed on other structural or organizational proposals recommended by the Corporate Partnership or County Executive.

**14J. Follow up to study on the feasibility of assigning specialties or  
combining the Executive Branch and Montgomery County Public Schools  
print shops**

**Description:** OLO Report 94-4 recommended that the Executive Branch and Montgomery County Public Schools (MCPS) form a team of facilities management and print shop administrators to further study co-locating the two agencies' main print shops at a MCPS-owned site. In a joint response to the OLO report, the agencies proposed to include representatives from the printing industry, and to broaden the scope of the study to include analysis of how future printing technologies affect equipment acquisitions and staffing.

In June 1994, OLO Report 94-4 was referred to the Management and Fiscal Policy and Education Committees. At that time, the Council requested the agencies to form the study team, proceed with planning for the proposed joint study, and develop a scope for the MFP/ED Committees' review. Consideration by the MFP/ED Committees was subsequently postponed until the Council receives recommendations resulting from the Corporate Partnership, which is examining print shop operations and related issues.

The scope of OLO's follow-up work during FY 96 will be determined after the Corporate Partnership report is completed.

Resolution No. 13-223

**Project #15: Evaluation of Bill 54-91, Animal Control Law Revisions**


Principal agency affected: County Government

Origin of project: Bill 54-91

Description: In November 1992, the Council enacted Bill 54-91, Animal Control Law Revisions. The legislation, which went into effect in November 1993, provided inducements that encourage residents to alter their dogs and cats as a means of reducing pet overpopulation, and established measures to ensure that those who choose to breed animals will do so in a responsible way. A requirement was included in the legislation that OLO evaluate the effects of the legislation by November 1995.

The Department of Animal Control and Humane Treatment (DACHT) experienced delays in bringing software on line. As a result, insufficient data are available to conduct and complete a meaningful evaluation of the legislation by November 1995. OLO will continue to monitor the situation during FY 96 and will plan to conduct the evaluation of Bill 54-91 during FY 97.

This is a correct copy of Council action.

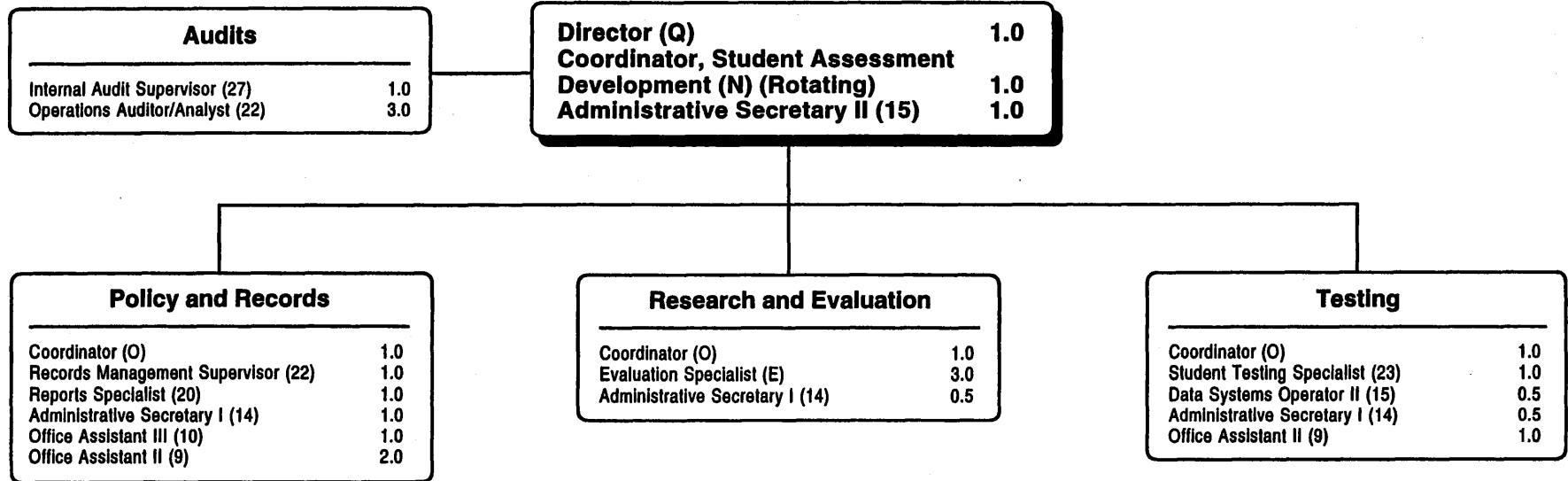


Kathleen A. Freedman, CMC  
Secretary of the Council





# Department of Educational Accountability





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# MEMO

DEPARTMENT OF HUMAN RESOURCES AND MANAGEMENT  
THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

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December 26, 1995

To: Karen Orlansky  
Director, Office of Legislative Oversight

Via: Trudye Morgan Johnson  
Executive Director

From: Douglas R. Sherwood *D.R.S.*  
Budget Manager

Subject: Program Evaluation at the Maryland-National Capital  
Park and Planning Commission

The Commission evaluates each of its programs during its annual budget preparation process. During the budget proposal stage, each program is evaluated in term of its effectiveness and efficiency. This review is conducted informally to assure that each program contributes to the performance of the overall mission of the Commission.

During Planning Board review of the budget proposal, each work program is intensively scrutinized to reaffirm the need to expend scarce public funds on the work effort. If it is determined that there will not be sufficient funding to pay for the proposed work, then programs are ranked in priority order, and those that do not "make the cut" are reduced or eliminated from the proposal by the Planning Board.

The Commission does not employ staff dedicated solely to program evaluation. Program evaluation is done on a continuous basis by management staff throughout the departments. This evaluation is supplemented by such efforts as an employee suggestion program called IDEAS, or Innovation Developed through Employee Accomplishments and Suggestions, which seeks program improvements from all staff.

Fiscal limitations preclude the assignment of dedicated staff at this time. If it were possible, assignment of such effort should be made to the office of the Executive Director to ensure Commission-wide neutrality and effectiveness.



## WASHINGTON SUBURBAN SANITARY COMMISSION

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### Interoffice Memorandum

**TO:** CHAIRMAN POTTER, VICE CHAIRMAN BERGER,  
COMMISSIONER ARRINGTON, COMMISSIONER BRAY,  
AND COMMISSIONER BUCK  
GENERAL MANAGER WHITE

**FROM:** MEL SCHWARTZ *Mel Schwartz*  
INTERNAL AUDIT MANAGER AND SECRETARY

**DATE:** JULY 17, 1995

**SUBJECT:** ANNUAL INTERNAL AUDIT PLAN - FY 1996

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Each year I present for your review and approval planned Internal Audit coverage for the upcoming fiscal year. Internal Audit is your management control to independently evaluate WSSC's internal control systems. We also function as an independent control for management to assist as appropriate.

During FY 1996, it is my recommendation that we expend Internal Audit resources in the audits listed in the Attachment. We expect to spend considerable resources in developer requested audits for SDC reimbursements, and at this time we have absolutely no reliable estimate of the amount of time these high-dollar impact audits will consume. Our audits of Blue Plains billings continue to require significant staff allocation, but I think you will agree that the dollar payback is substantial.

I welcome any discussion, and request your approval.

Attachment

AUDITS PLANNED FOR FY 1996

	<u>Brief Objective of Review</u>
Billings from D.C.	Verify accuracy of Intermunicipal Agreement billings for regional sewage disposal, to include; (1) FY 1994 Blue Plains operations and maintenance costs, and (2) FY's 1992, 1993, and 1994 allocated Force Account capital costs.
Systems Development Charge (SDC) Credits and Reimbursements	Determine amount of SDC credits and reimbursements allowable to developers who design and construct CIP-size projects, as required by Article § 6-113 (requests from Developers).
Billings from Consultants	Verify accuracy of selected billings by consultants, and to reinforce WSSC's expectation of accurate and reliable invoices.
Minority Participation Audits	Evaluate contractor, consultant, and vendor compliance with WSSC's MBE Program.
CY 1996 Front Foot Benefit Rates and House Connection Charges	Verify accuracy of proposed rates and charges (request from Commissioners).
Construction Claims	Determine whether financial claims by construction contractors are accurate and reliable (requests from Management).
Follow-up Actions on Previously Issued Internal Audit Reports	Evaluate whether corrective actions taken have been sufficient to address the problems identified in audits of these two organizations (request from Management).
- Information Systems Division	
- Procurement Division	

ATTACHMENT  
Page 2 of 2

AUDITS PLANNED FOR FY 1996

Brief Objective of Review

Integrity Oriented Reviews

Evaluate selected transactions to determine whether fraudulent practices exist.

Enhancement of Continuous Ongoing Reviews

Continue to verify accuracy of selected payroll transactions, primarily, using audit software; and develop audit software to enable continuous verification of selected disbursements and procurement transactions.

Consultant Overhead Determination

Assist Operations Branch managers by determining maximum allowable overhead rate for use in proposed consultant contracts.

Scrap Sales

Evaluate internal controls for revenue received in the sale of surplus or scrap materials.

Plus other Activities as Needed or Requested