

MEMORANDUM

March 12, 2009

TO: Council Audit Committee

VIA: Duchy Trachtenberg, Chair 
Management and Fiscal Policy Committee

FROM: Sue Richards, Senior Legislative Analyst 
Leslie Rubin, Legislative Analyst 
Office of Legislative Oversight

SUBJECT: **Meeting #1 of the Council Audit Committee**

On March 17th, the Council Audit Committee will hold its first meeting. The Audit Committee, established by Council Resolution 16-826 is intended to strengthen the MFP Committee's responsibilities for overseeing the Council's independent review and oversight of the County's financial reporting, management control and audit activities. (See ©1 for Council Resolution 16-826, adopted on January 27, 2009.)

At this first meeting, the Committee will learn about the benefits and operations of audit committees; receive briefings about the proposed FY10 budgets for the Office of Internal Audit and the Office of the Inspector General; and discuss agenda items relating to the Audit Committee's April 2nd meeting with the external auditors hired by the Council. Councilmember Trachtenberg intends for today's meeting to lay the groundwork for a future discussion about carrying out the Committee's charge to strengthen oversight of the Council's and County Government's audit activities. The officials expected at today's meeting are:

- Timothy L. Firestine, Chief Administrative Officer; and
- Thomas J. Dagley, Montgomery County Inspector General.

OLO recommends the following agenda for today's meeting.

Item #	Description	Time
1.	Briefing - The Functions and Operations of Audit Committees – Mr. Firestine	15 min.
2.	Briefing - The Benefits of Audit Committees – Mr. Dagley	15 min.
3.	Briefing – FY10 Budgets and Work Plans for the Office of Internal Audit and the Office of the Inspector General	30 min.
4.	Committee Discussion to Identify Questions for the External Auditors	20 min.
5.	Tentative Future Meeting Dates and Agenda Items	5 min.

Item #1. THE FUNCTIONS AND OPERATIONS OF AUDIT COMMITTEES MR. FIRESTINE

With the establishment of an Audit Committee, the County Council joins many other local agencies that have established audit committees. Some of these include the District of Columbia Water and Sewer Authority (DCWASA), the Montgomery County Government Board of Investment Trustees, and the MCPS Board of Education.

Mr. Firestine currently chairs the DCWASA Audit Committee. He will brief the Committee about how audit committees function and operate in practice.

Item #2. THE BENEFITS OF AUDIT COMMITTEES MR. DAGLEY

The Council established an Audit Committee in response to the results of a review of County oversight practices conducted by the Office of the Inspector General (OIG). According to a letter from Mr. Dagley to the Council, dated September 26, 2008, a key objective of the OIG review was:

To assess the role of oversight parties, including Council committees, to help ensure: management of all Council-funded organizations adheres to a sound system of internal controls; procedures are in place to objectively assess management practices; and auditors, through their own risk assessment and reviews, objectively assess financial activities. Another objective was to address anti-fraud programs in the County, including the use of practical mechanisms (i.e. hotlines) to permit the confidential, anonymous reporting of questionable accounting and other practices to appropriate responsible parties.

The OIG reported that many public sector organizations have established audit committees and suggested this would be a way for the Council to improve its review and oversight of the County's audit activities. (A copy of the OIG letter is attached at ©3.)

Mr. Dagley will brief the Committee about the importance and benefits of audit committees, key factors for success, and areas of interest the Audit Committee could address.

Item #3. RECOMMENDED FY10 BUDGETS AND WORK PLANS FOR THE OFFICE OF INTERNAL AUDIT AND THE OFFICE OF THE INSPECTOR GENERAL

In Montgomery County, three entities with audit responsibilities are: the Office of Internal Audit, the Office of the Inspector General, and the Independent Audit (see page 4 for further explanation). In FY09, the approved budgets for these three activities totaled about \$2 million. This agenda item focuses on the Office of Internal Audit and the Office of the Inspector General; the next agenda item discusses the Independent Audit.

A recommended best practice for audit committees is an annual review of the budgets and work plans of entities that are responsible for an organization's audit activities. Since the County Executive's Recommended Budget for FY10 is scheduled to be released on March 16, this meeting offers a timely opportunity for the Audit Committee.

Staff recommends the Committee receive briefings from Mr. Firestine and Mr. Dagley at this meeting about the proposed FY10 budgets and work plans for the Office of Internal Audit and the Office of the Inspector General.

Below are brief overviews of the FY09 approved budgets and responsibilities of the Office of Internal Audit and the Office of the Inspector General.

The Office of Internal Audit. Article 2, Section 218 of the County Charter mandates the Internal Audit Function in the Executive Branch. The FY09 budget for the Office of Internal Audit was \$921,860 and 4.8 workyears. Compared to FY08, this budget reflected an increase of \$54,330 for a Government Accountability Initiative and a reduction of \$100,000 in operating funds for contractual audit activities. (A copy of the FY09 Budget for the Office of Internal Audit is attached at ©9.)

The FY09 budget reflected the implementation of Expedited Bill 4-08, Reorganization - Executive Branch. This legislation, which became effective July 1, 2008, moved the Office of Internal Audit out of the Department of Finance and into the Office of the County Executive, and identified six functions that the office must carry out. Under Section 2-25A, Office of Internal Audit – Functions, the office must carry out six functions:

- (a) identify areas of risk in accountability systems;
- (b) conduct fiscal, contract, performance, and information system audits and attestation engagements;
- (c) undertake investigative audits and audits required by law;
- (d) provide advice to County departments and offices on internal control issues;
- (e) communicate actions necessary to enhance accountability and;
- (f) conduct other investigations and audits as directed by the Chief Administrative Officer.

(See ©12 for an excerpt of Section 2-25A)

Staff recommends the Committee ask Mr. Firestine to explain how the FY10 work plan for the Office was developed, and review the upcoming audit activities planned for FY10.

The Office of the Inspector General. Section 2-151 of the Montgomery County Code establishes the Office of the Inspector General and assigns its goals and responsibilities. Section 2-151(a), Goals, specifies that the goals of the Inspector General are to:

- Review the effectiveness and efficiency of programs and operations of County government and independent County agencies;
- Prevent and detect fraud, waste, and abuse in government activities; and
- Propose ways to increase the legal, fiscal, and ethical accountability of County government and County funded agencies.

Section 2-151(i), Work Plan, requires the Inspector General to adopt a four year work plan within six months of being appointed, and provides that the Inspector General may amend the plan during his term. The OIG uses a four step process to develop the work plan that consists of:

1. Identifying a universe of County programs and activities;
2. Determining a project universe;
3. Conducting risk assessment; and
4. Developing a plan to conduct appropriate audits, inspections and investigations.

Section 2-151(k), Reports, requires the Inspector General to submit an annual report of the Office's activities and its major findings and recommendations. (Sec. 2-151 is at ©15 and the OIG current Four-Year Work Plan for FY06-09 is at ©19.)

The FY09 budget for the Office of the Inspector General was \$700,720 and 5.0 workyears. The FY09 Budget is attached at ©30.

Staff recommends the Committee ask Mr. Dagley to elaborate on how the current FY06-09 work plan for the Office was determined and review the upcoming audit activities planned for FY10. Staff recommends the Committee ask Mr. Firestine and Mr. Dagley to explain the relationship between the OIG and Office of Internal Audit and the ways, if any, that their work dovetails.

Item #4. Preparation for the Committee's Meeting with the External Auditors

Independent Audit. Section 315 of the County Charter requires the Council to contract with a Certified Public Accountant for an independent post audit of all financial records and actions of the County, its officials, and its employees. Section 29A-5(b)(9) of the Montgomery County Code designates OLO as administrator for this contract. The contract also requires an independent audit of the basic financial statement of the Employees Retirement Plans, audits of tax funded expenditures of the independent Fire Rescue Corporations, and additional services related to reviews, tests and certifications. The FY09 budget for these contracts was \$394,000.

At its next meeting on April 2, 2009, the Audit Committee is scheduled to hear briefings from staff from Clifton Gunderson LLP and Rager, Lehman & Houck, P.C. – the two audit firms under contract to the Council – on the outcome of the FY08 audits of the County Government Financial Statements; the Employees' Retirement System Plans; and the financial statements of the Fire and Rescue Corporations. At the April 2nd meeting, the auditors will explain their findings and describe any weaknesses or deficiencies found during their financial audits.

These findings are transmitted to the County Government in two types of letters – a Report on Internal Controls and Compliance and/or a Management Letter. Committee members will receive copies of these reports and letters and a description of their contents before the next meeting.

Council Resolution 16-826 anticipates the Audit Committee will achieve its oversight of financial reporting and risk assessment with assistance from various Council staff, the Office of Inspector General, Executive branch and other County agency staff.

Staff recommends the Committee ask Mr. Firestine and Mr. Dagley for their recommendations on specific questions the Committee should raise at the April meeting with Clifton Gunderson LLP and Rager, Lehman & Houck, P.C.

Item #5. Tentative Future Meeting Dates and Agenda Items

Council Resolution 16-826 states that the MFP must meet as the Council’s audit committee at least four times a year and report its findings and recommendations to the Council each December. Below are the meetings and future agenda items tentatively scheduled for the remainder of 2009.

Meeting Date	Agenda Items
Apr 2, 2009	<ul style="list-style-type: none"> • Committee Review of FY08 audit findings by Clifton Gunderson LLP and Rager, Lehman & Houck, P.C.
Jul 14, 2009	<ul style="list-style-type: none"> • To Be Determined
Nov 17, 2009	<ul style="list-style-type: none"> • Discussion of Preparation of Audit Committee’s Report of Findings and Recommendations to Council

LIST OF ATTACHMENTS

Description	Begins at © #
Council Resolution No. 16-826: County Council’s Audit Function	1
Letter from Thomas J. Dagley, Inspector General to Michael J. Knapp, President, County Council dated September 26, 2008	3
FY09 Approved Budget for the Office of Internal Audit	6
Montgomery County Code § 2-25A, Office of Internal Audit	12
Montgomery County Code § 2-151, Office of the Inspector General	15
OIG Four-Year Work Plan	19
FY09 Approved Budget for the Office of the Inspector General	30

Resolution No.: 16-826
Introduced: January 13, 2009
Adopted: January 27, 2009

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: County Council

SUBJECT: County Council's Audit Function

Background

1. The County Charter and County Code assign the County Council certain audit-related responsibilities. Specifically:

Section 315 of the County Charter states that: "The Council shall 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. The complete report of the audit shall be presented to the Council and copies of it shall be made available to the public."

Section 33-51(c) of the County Code states that: "An independent audit of the retirement system will be completed annually by the firm of certified public accountants under contract with the Council."

Section 21-24(d) of the County Code states that: "Financial transactions involving County fire tax funds must be included in the annual audit required by the Charter."

2. The Council first established procedures for selecting the independent auditor in Resolution No. 10-457, adopted on November 1, 1983. The Council amended these procedures in Resolution No. 12-154, adopted on April 9, 1991, and again in Resolution No. 16-326, adopted on October 2, 2007.
3. Under the Council's current procedures, the Council's Management and Fiscal Policy (MFP) Committee performs the functions of the Contractor Qualification and Selection Committee; the MFP Committee evaluates proposals and recommends an auditor to the Council, which makes the final decision. Resolution No. 16-326 requires the Office of Legislative Oversight (OLO) to provide staff support to the MFP Committee and the Council during the selection process and to be the Contract Administrator.

4. In a letter report to the Council dated September 26, 2008, the County Office of Inspector General (OIG) reported the results of its review of County oversight practices and internal controls for selected financial reporting. The OIG found that: “. . . by establishing and operating a formal audit committee in accordance with guidelines issued by the GFOA (Government Finance Officers Association) and AICPA (American Institute of Certified Public Accountants), the Council can improve its independent review and oversight for financial reporting, management control, and audit activities for County Government and other Council-funded organizations.” Formal audit committees of this kind have been established by a growing number of public sector organizations.
5. The OIG report listed recommended practices for audit committees, such as conducting reviews with executive leadership and independent auditors to assess significant financial risks or exposures and steps taken to minimize the risks, addressing significant findings on internal and independent audits, and ensuring that policies and procedures are in place to facilitate reporting fraud or abuse and questionable accounting or auditing practices.

Action

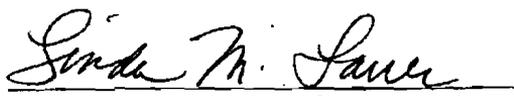
The County Council for Montgomery County, Maryland approves the following resolution:

Function. The MFP Committee must continue to strengthen the Council’s independent review and oversight of the County’s financial reporting, management control, and audit activities. When performing these functions, the MFP Committee will be deemed the Council’s audit committee. The Council President and Vice President must serve as ex-officio voting members of the MFP Committee when it meets as the audit committee.

Meeting and Reporting Requirements. The MFP Committee must meet as the Council’s audit committee at least four times a year. Each December the MFP Committee must report its findings and recommendations to the Council.

Work program and staff support. OLO must coordinate staff support for the MFP Committee when it meets as the audit committee. The MFP Committee’s oversight of financial reporting and risk assessment should be achieved with assistance from the Council staff, the OIG, Executive Branch and other County agency staff, and contractors with appropriate expertise.

This is a correct copy of Council action.


Linda M. Lauer, Clerk of the Council



OFFICE OF INSPECTOR GENERAL

Thomas J. Dagley
Inspector General

September 26, 2008

Michael J. Knapp, President, County Council

President Knapp:

The purpose of this letter is to report the results of our review of County oversight practices and internal controls for selected financial reporting. A key objective was to assess the role of oversight parties, including Council committees, to help ensure: management of all Council-funded¹ organizations adheres to a sound system of internal controls; procedures are in place to objectively assess management practices; and auditors, through their own risk assessment and reviews, objectively assess financial activities. Another objective was to address anti-fraud programs in the County, including the use of practical mechanisms (i.e. hotlines) to permit the confidential, anonymous reporting of questionable accounting and other practices to appropriate responsible parties.

To accomplish our objectives, we reviewed: guidelines and recommended practices issued by the Government Finance Officers Association (GFOA), American Institute of Certified Public Accountants (AICPA), and U. S. Government Accountability Office (GAO); financial oversight and fraud prevention policies and procedures for selected Council-funded organizations; Council committee agendas; internal audit reports; management letters issued by external auditors; and other County information as deemed necessary. In addition, we met with Council members and staff, external auditors, and managers in Council-funded organizations.

Our finding is as follows: by establishing and operating a formal audit committee in accordance with guidelines issued by the GFOA² and AICPA³, the Council can improve its independent review and oversight for financial reporting, management control, and audit activities for County Government and other Council-funded organizations.

¹ In addition to the Executive Branch, Council-funded organizations include the: Montgomery County Public Schools; Maryland-National Capital Park and Planning Commission; Washington Suburban Sanitary Commission; Montgomery College, Housing Opportunities Commission; Revenue Authority; and any other government agency (except a municipal government or a State-created taxing district) for which the Council appropriates or approves funding, sets tax rates, or approves programs or budgets.

² GFOA recommends that the governing body of every state and local government establish an audit committee, or its equivalent.

³ The "AICPA Audit Committee Toolkit: Government Organizations" provides valuable information and tools to help a governing body and its officials create an effective audit committee function to help improve fiscal accountability.



As the governing body that appropriates Montgomery County operating and capital improvements program (CIP) funds, the Council has the ultimate authority and accountability of the County's public resources (for fiscal year 2009, the Council approved more than \$4 billion in annual operating funds and approximately \$3.4 billion for more than 500 CIP projects). We found that although the Council's current six-committee structure includes use of external auditors to provide reasonable assurances that Council-funded organizations prepare financial statements in conformity with generally accepted accounting principles, the structure is not designed to provide the oversight for financial reporting, internal controls, and auditors' activities recommended for an audit committee. Recommended practices for audit committees include:

- Inquiries of executive leadership, management and independent auditors regarding significant risks or exposures facing the organization(s) to assess the steps taken or needed to minimize the risks;
- Review with executive leadership, management and independent auditors the audit scope and plan of internal auditors and independent auditors; address the coordination efforts needed to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources;
- Review with executive leadership and management the significant findings on internal and independent audits;
- Periodically review the organization's code of conduct to ensure a clear set of guiding principles are in place regarding legal and ethical behavior for all employees and contractors involved with activities funded by the governing body;
- Ensure policies and procedures are in place to encourage and facilitate the reporting of fraud or abuse and questionable accounting or auditing practices; ensure that those responsible for receiving and addressing complaints document the disposition of each so they can be periodically assessed.

In addition, the GFOA and/or AICPA recommend the following best practices that we believe should be considered by the Council incident to making an audit committee decision:

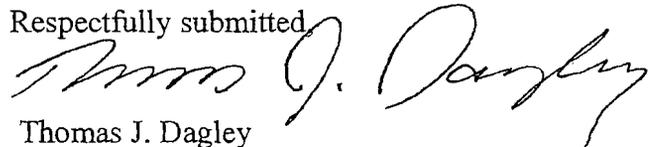
- Audit committees should be formally established (i.e. through legislation or other appropriate legal means);
- Members should possess or obtain a basic understanding of government financial reporting or auditing; at least one member should have financial experience;
- Committees should meet at least four times per year, and at additional times when necessary to assess and respond to issues raised as a result of audit work and reviews, or reports of suspected fraud;
- Members should be clear on the difference between audit (i.e. compliance with government auditing standards) and non-audit services. Under AICPA and GAO standards, for example, auditors have certain responsibilities for detecting fraud and illegal acts and determining whether those charged with governance are adequately informed.

Michael J. Knapp
President, County Council
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During our discussions with Council members and staff in July and August 2008, we emphasized the wealth of resources available through the GFOA, AICPA, GAO, Association of Government Accountants (AGA), and Association of Certified Fraud Examiners (ACFE) to learn more about audit committee best practices. We also began to examine how Montgomery County's finance officers, auditors, Office of Inspector General, and Office of Legislative Oversight can be used as a resource to openly discuss the steps needed to establish and implement a Council audit committee.

If you have any questions concerning our review, please do not hesitate to contact me.

Respectfully submitted,



Thomas J. Dagley
Inspector General

County Executive

MISSION STATEMENT

The Offices of the County Executive provide political leadership to the community and administrative direction to the County's departments and offices. The Office is committed to providing accurate, timely, and effective staff support to the County Executive and the Chief Administrative Officer (CAO) as they address their responsibilities in an atmosphere that is characterized by excellence, efficiency, openness, outreach, equity, and integrity.

County Government Reorganization

In February, 2008, the County Executive announced a detailed Montgomery County Government Reorganization in order to improve effectiveness, customer service, accessibility, and efficiency. As part of this plan, the Internal Audit function will be moved from the Department of Finance into the Offices of the County Executive.

BUDGET OVERVIEW

The total approved FY09 Operating Budget for the Offices of the County Executive is \$7,225,610, an increase of \$1,973,880 or 37.6 percent from the FY08 Approved Budget of \$5,251,730. Personnel Costs comprise 90.6 percent of the budget for 51 full-time positions and eight part-time positions for 52.0 workyears. Operating Expenses account for the remaining 9.4 percent of the FY09 budget.

The FY09 budget reflects the shifting of the internal audit function (\$921,860) into the Offices of the County Executive from the Department of Finance. FY08 program descriptions, costs and workyears have been restated under the new organizational structure to make it easier to compare FY08 and FY09 program expenditures and staffing. In the budget summary, FY07 actual, FY08 budget, and FY08 estimated figures reflect the old organizational structure, while FY09 figures reflect the new organizational structure.

LINKAGE TO COUNTY RESULTS AREAS

The Offices of the County Executive support all eight of the County Results Area.

PERFORMANCE MEASURES

The primary focus of the Offices of the County Executive is to provide policy direction, reinforce accountability, and ensure the achievement of results. In support of these objectives, the focus has been on the following:

- Development of performance plans with detailed performance targets for major County departments;
- Development of related performance measures to gauge efficiency and effectiveness; and
- Development of data collection systems to facilitate performance analysis.

The department budget sections reflect many of the performance measures developed as part of this process. During the coming year, additional efforts will be undertaken to measure results and identify further enhancements.

In addition, this department's Capital Improvements Program (CIP) requires Current Revenue funding.

ACCOMPLISHMENTS AND INITIATIVES

- ❖ *Implement the CountyStat initiative to develop an accountability and assessment tool for everyday management and long-term planning in government.*
- ❖ *Begin the implementation of a 311/Constituent Relationship Management (CRM) system to create a single phone number that will allow residents to make non-emergency requests for County government services, information, or complaints.*
- ❖ *Use the Office of Community Partnerships to build an open, welcoming, responsive, and accountable government.*
- ❖ *Organize a series of ethnic leadership summits to hear from communities whose voices perhaps have not been heard in the past.*
- ❖ *Facilitate a series of meetings between County officials responsible for procurement and leaders of the nonprofit community.*
- ❖ *Publish a community resource guide in partnership with the Montgomery County League of Women Voters, Discovery Communications Inc., and Host Hotels and Resorts for use by the general public. The guide was translated into Spanish and Chinese and made available on the web.*
- ❖ *Improve use of staff at the Volunteer Center to expand the County's ability to provide more programming to the nonprofit community.*
- ❖ **Productivity Improvements**
 - *Implemented a new online, web-based volunteer management database system to streamline how volunteers and nonprofits find each other.*
 - *Improved tracking of more than 7,000 recipients of the Holiday Giving Project and ensured deliveries to those in need.*
 - *Installed an online database that improved the management of emergency volunteers in several ways: safer and easier system registration of volunteers; more expedient notification of volunteers in times of disaster; and enhanced availability of technical data.*
 - *Allow nonprofits to effectively manage their own volunteers, work hours, and assignment to group projects through the use of online tools.*
 - *Centralized information banks of the Office of Community Partnerships to enhance their ability to communicate with residents, organizations and other County departments.*
 - *Converted the In-Touch Newsletter from a quarterly printed document to an electronic format. The electronic version provides more up-to-date information to the residents of the County while reducing production costs.*

PROGRAM CONTACTS

Contact Sonetta Neufville of the Offices of the County Executive at 240.777.2516 or Charles Goldsmith of the Office of Management and Budget at 240.777.2779 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

County Executive - Policy Planning and Development

The County Executive oversees the enforcement of the laws of Montgomery County and provides Executive direction to all departments and offices of the County government. The County Executive also develops policies; proposes plans, programs, budgets, and legislation to the County Council; adopts Executive Orders and Regulations; and appoints citizens to boards, committees, and commissions.

FY09 Changes

	Expenditures	WYs
FY08 Approved	1,276,590	9.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	29,970	0.0
FY09 Approved	1,306,560	9.0

CAO - Supervision & Management of Executive Branch Depts.

The Chief Administrative Officer (CAO) supervises all departments and offices of the Executive Branch. The CAO also advises the County Executive on administrative matters and coordinates management review and decision-making on policies, programs, plans, budgets, legislation, regulations and similar matters. CountyStat provides a forum for ongoing monitoring and measurement of the effectiveness and efficiency of County government services in order to improve performance, reinforce accountability and focus on results. The Constituent Services staff coordinates responses to correspondence, telephone calls, electronic mail, and walk-ins concerning County programs and services. Information and Referral staff maintains the information database for resources such as the Quick Guide.

FY09 Changes

	Expenditures	WYs
FY08 Approved	1,945,460	14.3
Add: CountyStat	477,980	5.0
Shift: Special Projects Manager (position moved from Department of Transportation)	183,430	1.0
Shift: Clarksburg Ombudsman position (shift funding from Permitting)	133,330	1.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	373,610	0.4
FY09 Approved	3,113,810	21.7

Community Partnerships

The Office of Community Partnerships (OCP) is a bridge between community residents and organizations and the County government. To keep Montgomery County's residents informed about policies, programs, and issues, OCP staff coordinates responses to residents' written and e-mail correspondence and responds to telephone inquiries. The OCP staff provides outreach and liaison services to ethnic, multilingual, and multicultural communities. OCP staff works closely with the County's non-profit and faith community organizations. They work in partnership with County departments to ensure that efficient, effective, responsive and high-quality services are provided to all Montgomery County residents. To help celebrate the rich diversity of Montgomery County, the OCP staff coordinates a number of community events throughout the year including the County's Martin Luther King, Jr. Birthday Celebration; Black History Month; Arab American Heritage Month; Asian Pacific American Heritage Month; Juneteenth Commemoration; Hispanic/Latino Heritage Month and Native American Heritage Month. OCP staff also publishes a monthly e-mail newsletter. The Volunteer Center promotes volunteerism as a community ethic among government, business, religious, civic and educational segments of the community. The Center also coordinates grants associated with volunteer activities.

FY09 Changes

	Expenditures	WYs
FY08 Approved	1,450,290	12.0
Increase Cost: Annualization of FY08 Lapsed Positions	58,870	0.5
Increase Cost: Martin Luther King Day Events	25,000	0.0
Decrease Cost: Community Outreach Manager Positions	-60,680	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-13,420	0.0
FY09 Approved	1,460,060	12.5

Planning and Fiscal Analysis of Infrastructure Needs

This program coordinates the review and analysis of referrals regarding master plans, master plan amendments, functional plans, growth policy, adequate public facilities, annexation plans, zoning text amendments, and other land use and planning-related proposals submitted to the Executive Branch and/or the Office of the CE/CAO for review and/or comment. The staff also manages the Base Realignment and Closure grant.

FY09 Changes

	Expenditures	WYs
FY08 Approved	396,800	3.4
Shift: Pedestrian Safety Position to Department of Transportation	-42,000	-0.4
Eliminate: Land Use Planning Policy Analyst	-94,050	-1.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-34,640	0.0
FY09 Approved	226,110	2.0

Internal Audit

This program provides accurate, independent, and useful information through audit services to assist Executive Branch managers in the effective discharge of their responsibilities. Internal Audit is mandated by County Charter, Article 2, Executive Branch Section 218. The program provides identification of areas of risk in accountability systems; conducts fiscal, contract, performance, and information systems audits for financial compliance, economy, efficiency, and effectiveness; oversees investigative audits and audits required by law; provides advice to departments on internal control issues; and communicates the actions necessary for enhancing accountability.

FY09 Changes

	Expenditures	WYs
FY08 Approved	953,030	4.8
Increase Cost: Government Accountability Initiative	54,330	0.0
Increase Cost: Internal Audit Contracts CPI Increase	6,440	0.0
Decrease Cost: Internal Audit Monies Added in FY08	-100,000	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	8,060	0.0
FY09 Approved	921,860	4.8

Administration

The Administration program provides budget development and analysis, fiscal and inventory control, personnel and payroll management, training and supervision, procurement, and contract administration.

FY09 Changes

	Expenditures	WYs
FY08 Approved	182,590	2.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	14,620	0.0
FY09 Approved	197,210	2.0

BUDGET SUMMARY

	Actual FY07	Budget FY08	Estimated FY08	Approved FY09	% Chg Bud/App
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	3,341,335	3,645,050	3,495,740	4,916,190	34.9%
Employee Benefits	850,752	1,006,900	967,280	1,401,030	39.1%
County General Fund Personnel Costs	4,192,087	4,651,950	4,463,020	6,317,220	35.8%
Operating Expenses	389,030	360,840	400,020	662,220	83.5%
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	4,581,117	5,012,790	4,863,040	6,979,440	39.2%
PERSONNEL					
Full-Time	36	39	39	49	25.6%
Part-Time	5	9	9	8	-11.1%
Workyears	35.4	38.2	38.2	49.5	29.6%
GRANT FUND MCG					
EXPENDITURES					
Salaries and Wages	129,120	168,520	96,440	178,980	6.2%
Employee Benefits	38,694	68,640	37,380	50,900	-25.8%
Grant Fund MCG Personnel Costs	167,814	237,160	133,820	229,880	-3.1%
Operating Expenses	457,658	1,780	1,810	16,290	815.2%
Capital Outlay	0	0	0	0	—
Grant Fund MCG Expenditures	625,472	238,940	135,630	246,170	3.0%
PERSONNEL					
Full-Time	2	2	2	2	—
Part-Time	1	0	0	0	—
Workyears	1.7	2.5	2.5	2.5	—
REVENUES					
Retired Senior Volunteer Program	83,796	97,860	127,570	105,080	7.4%
Service Learning Impacting Citizenship	4,142	0	0	0	—
Corporate Volunteer Council	15,731	21,840	21,840	21,850	0.0%
Medical Reserve Corps	22,134	0	-13,780	0	—
Urban Areas Security Initiative	457,309	0	0	0	—
Base Realignment and Closure	4,151	119,240	0	119,240	—
Natl Assoc of County & City Health Officials	4,401	0	0	0	—
Grant Fund MCG Revenues	591,664	238,940	135,630	246,170	3.0%
DEPARTMENT TOTALS					
Total Expenditures	5,206,589	5,251,730	4,998,670	7,225,610	37.6%
Total Full-Time Positions	38	41	41	51	24.4%
Total Part-Time Positions	6	9	9	8	-11.1%
Total Workyears	37.1	40.7	40.7	52.0	27.8%
Total Revenues	591,664	238,940	135,630	246,170	3.0%

FY09 APPROVED CHANGES

	Expenditures	WYs
COUNTY GENERAL FUND		
FY08 ORIGINAL APPROPRIATION	5,012,790	38.2
Changes (with service impacts)		
Add: CountyStat [CAO - Supervision & Management of Executive Branch Depts.]	477,980	5.0
Eliminate: Land Use Planning Policy Analyst [Planning and Fiscal Analysis of Infrastructure Needs]	-94,050	-1.0
Other Adjustments (with no service impacts)		
Shift: Internal Audit from Finance to Offices of the County Executive	961,090	4.8
Increase Cost: General Wage and Service Increment Adjustments	223,720	0.0
Shift: Special Projects Manager (position moved from Department of Transportation) [CAO - Supervision & Management of Executive Branch Depts.]	183,430	1.0
Shift: Clarksburg Ombudsman position (shift funding from Permitting) [CAO - Supervision & Management of Executive Branch Depts.]	133,330	1.0
Increase Cost: Annualization of FY08 Lapsed Positions [Community Partnerships]	58,870	0.5
Increase Cost: Annualization of FY08 Personnel Costs	58,740	0.0

	Expenditures	WYs
Increase Cost: Government Accountability Initiative [Internal Audit]	54,330	0.0
Increase Cost: Group Insurance Adjustment	48,900	0.0
Increase Cost: Retirement Adjustment	47,290	0.0
Increase Cost: Martin Luther King Day Events [Community Partnerships]	25,000	0.0
Increase Cost: Printing and Mail Adjustments	8,760	0.0
Increase Cost: Internal Audit Contracts CPI Increase [Internal Audit]	6,440	0.0
Increase Cost: Annualization of FY08 Operating Expenses	560	0.0
Increase Cost: Adjustments for Criminal Justice Coordinating Commission and Other Workforce	0	0.4
Decrease Cost: Motor Pool Rate Adjustment	-60	0.0
Decrease Cost: Elimination of One-Time Items Approved in FY08	-25,000	0.0
Shift: Pedestrian Safety Position to Department of Transportation [Planning and Fiscal Analysis of Infrastructure Needs]	-42,000	-0.4
Decrease Cost: Community Outreach Manager Positions [Community Partnerships]	-60,680	0.0
Decrease Cost: Internal Audit Monies Added in FY08 [Internal Audit]	-100,000	0.0
FY09 APPROVED:	6,979,440	49.5
GRANT FUND MCG		
FY08 ORIGINAL APPROPRIATION	238,940	2.5
<u>Other Adjustments (with no service impacts)</u>		
Increase Cost: Technical adjustment	7,230	0.0
FY09 APPROVED:	246,170	2.5

PROGRAM SUMMARY

	FY08 Approved		FY09 Approved	
	Expenditures	WYs	Expenditures	WYs
County Executive - Policy Planning and Development	1,276,590	9.0	1,306,560	9.0
CAO - Supervision & Management of Executive Branch Depts.	1,945,460	14.3	3,113,810	21.7
Community Partnerships	1,450,290	12.0	1,460,060	12.5
Planning and Fiscal Analysis of Infrastructure Needs	396,800	3.4	226,110	2.0
Internal Audit	953,030	4.8	921,860	4.8
Administration	182,590	2.0	197,210	2.0
Totals	6,204,760	45.5	7,225,610	52.0

CHARGES TO OTHER DEPARTMENTS

Recipient Department	Recipient Fund	FY08		FY09	
		Total\$	WYs	Total\$	WYs
GENERAL FUND					
CIP	CIP	184,940	1.0	303,340	1.8
Permitting Services	Permitting Services	62,490	0.5	0	0.0
Police	General Fund	30,240	0.3	0	0.0
Urban Districts	Urban District - Silver Spring	30,240	0.3	0	0.0

Article III. Executive Branch. [Note]

Division 1. Generally.

Sec. 2-24. District of Columbia Water and Sewer Authority-County Representatives.

The County Executive, subject to confirmation by the County Council, must recommend to the Mayor of the District of Columbia one or more persons to serve as members of the Board of Directors of the District of Columbia Water and Sewer Authority, or any successor or substitute body appointed by the Mayor, and one or more other persons to serve as alternate members of that Board. If any other body is created by federal, state, or District of Columbia law to perform any function related to the Blue Plains Wastewater Treatment Plant, any successor facility, or any other part of the metropolitan area water and sewer system in which the County participates, the Executive, subject to confirmation by the Council, must appoint all representatives or members to which the County is entitled. The persons recommended or appointed may, but need not, be officers or employees of the County. (1996 L.M.C., ch. 6, § 1.)

Sec. 2-25. Planning implementation.

(a) *Generally.* The planning implementation purposes of the Office of the County Executive are to:

(1) Implement the land use planning powers granted to the County Executive by State and County legislation;

(2) Coordinate and facilitate the development of executive branch planning policies, thereby ensuring consistency and responsiveness; and

(3) Promote an understanding of executive planning policies by County residents and other County public officials.

(b) *Duties.* The Office of the County Executive has the following planning implementation functions:

(1) Recommend planning policies to the County Executive;

(2) Develop and implement procedures for participation by the executive branch in the preparation of master plan amendments, and for reviewing, analyzing and commenting on draft master plan amendments before these amendments are transmitted to the County Council;

(3) (A) Review and make recommendations to the County Executive on amendments to the zoning ordinance and subdivision regulations;

(B) Recommend approval or disapproval of subdivision regulation amendments after Council action;

(4) (A) Review the Planning Board's draft annual growth policy and recommend revisions to the Executive;

(B) Coordinate the use of information in this draft with the formulation of capital improvements program recommendations;

(C) Draft comments on the Planning Board's proposed growth policy for submission to the County Council;

(5) Recommend criteria for adequacy of public facilities, and coordinate Executive recommendations to the Planning Board on whether public facilities are adequate for each preliminary subdivision plan considered by the Board;

(6) Provide leadership and staff support to the planning policies committee;

(7) Facilitate interagency analysis of planning policy issues and documents, and ensure that the perspectives of all executive branch agencies are considered in the formulation of planning policies;

(8) Ensure that executive branch planning policies incorporate community views;

(9) Facilitate communication with the Planning Board, the Council, and the municipalities on planning policies; and

(10) Such other planning policy functions and responsibilities as the County Executive directs. (1987 L.M.C., ch. 47, § 3; 1993 L.M.C., ch. 2, § 1; 1996 L.M.C., ch. 13, § 1; 2004 L.M.C., ch. 2, § 2.)

Cross reference-Administrative procedures act, ch. 2A.

DIVISION 1A. OFFICE OF THE COUNTY EXECUTIVE.

Sec. 2-25A. Office of Internal Audit — Functions.

The Office of Internal Audit is part of the Office of the County Executive. The Office of Internal Audit must conduct its work in accordance with professional standards relevant to internal audit. The Office must:

- (a) identify areas of risk in accountability systems;
- (b) conduct fiscal, contract, performance, and information system audits, and attestation engagements;
- (c) undertake investigative audits and audits required by law;
- (d) provide advice to County departments and offices on internal control issues;
- (e) communicate actions necessary to enhance accountability; and
- (f) conduct other investigations and audits as directed by the Chief Administrative Officer. (2008 L.M.C., ch. 5, § 1,)

Editor's note—2008 L.M.C., ch. 5, § 3, states: Sec. 3. Any regulation in effect when this Act takes effect that implements a function transferred to another Department or Office under Section 1 of this Act continues in effect, but any reference in any regulation to the Department from which the function was transferred must be treated as referring to the Department from which the function is transferred. The transfer of a function under this Act does not affect any right of a party to any legal proceeding begun before this Act took effect.

Sec. 2-26. Non-merit positions.

The following positions in the Office of the County Executive are non-merit positions:

- (a) 5 Directors of the Regional Services Centers;
- (b) Director, Office of Community Partnerships;
- (c) Director, Criminal Justice Coordinating Commission;
- (d) 4 Assistant Chief Administrative Officers; and
- (e) Special Projects Manager. (2007 L.M.C., ch. 5, § 1; 2008 L.M.C., ch. 5, § 1.)

Editor's note—2007 L.M.C., ch. 5, § 2, states: Affect on incumbents. If on the effective date of this Act [May 28, 2007] a merit system employee occupies a position which this Act converts to a non-merit position:

- (a) that employee retains all merit system rights; and
- (b) the position does not become a non-merit position until that employee leaves the position through transfer, promotion, demotion, retirement, or other separation from service.

Former Section 2-26, designation of inspector of weights and measures, was repealed by 1996 L.M.C., ch. 13, § 1. The section was formerly derived from Mont. Co. Code 1965, § 2-48; 1972 L.M.C., ch. 16, § 4; 1980 L.M.C., ch. 21, § 1

Article XIII. Inspector General.

Sec. 2-151. Inspector General.

(a) *Goals.* The goals of the Inspector General are to:

- (1) review the effectiveness and efficiency of programs and operations of County government and independent County agencies;
- (2) prevent and detect fraud, waste, and abuse in government activities; and
- (3) propose ways to increase the legal, fiscal, and ethical accountability of County government departments and County-funded agencies.

(b) *Appointment.* The County Council must appoint an Inspector General for a term of 4 years, as provided in subsection (c). Unless the Council reappoints the incumbent, the Council must select the Inspector General from a list of at least 3 qualified persons submitted by an Inspector General nominating panel, consisting of no less than 3 and no more than 5 County residents designated by the Council by resolution. If the Council does not select one of the persons submitted by the nominating panel, the panel must submit another list of at least 3 other qualified persons. The members of the nominating panel must not be employed by the County or any independent County agency during their service on the panel.

(c) *Term.* The term of each Inspector General begins on July 1 of the third year after an Executive and Council are elected, and ends on June 30 of the third year after the next Executive and Council are elected. An Inspector General must not serve more than two full 4-year terms, not including any time served as Inspector General to complete an unexpired term. The Council must appoint an Inspector General to complete a term if the Inspector General resigns, dies, or is removed from office. If the term of the Inspector General expires or the position is otherwise vacant, the senior professional staff member, if any, in the Office of the Inspector General serves as acting Inspector General until an Inspector General is appointed.

(d) *Qualifications.* The Inspector General must be professionally qualified, by experience or education, in auditing, government operations, or financial management, and must be selected solely on the basis of professional ability and personal integrity, without regard to political affiliation.

(e) *Removal.* The Council may remove the Inspector General by resolution adopted by the affirmative vote of six Councilmembers for neglect of duty, malfeasance, conviction of a felony, or other good cause. Before the Council adopts a resolution of removal, the Council or its designee must hold a public hearing if the Inspector General requests a hearing within 10 days after receiving notice of proposed removal from the Council.

(f) *Budget.* By 4 months after the Inspector General is appointed, the Inspector General must submit to the Executive and Council a projected budget for the Office of the Inspector General for the entire 4-year term. In the resolution approving the operating

budget for the next fiscal year, the Council must also recommend a projected budget for the Office of the Inspector General for the 3 following fiscal years. The Council must specify in any later budget resolution how the Office budget for that fiscal year differs from the projected budget the Council previously recommended.

(g) *Staff; Legal Counsel.*

(1) The Inspector General may, subject to appropriation and all applicable merit system laws and regulations, appoint as term employees the staff of the Office of the Inspector General. The term of each employee should end when the next Inspector General takes office unless the Inspector General specifies a shorter term when appointing the employee. The Inspector General may also, subject to appropriation, retain project staff or other consultants by contract. The Inspector General may, with the agreement of the head of any other government department or agency, temporarily detail an employee of that department or agency to the Office of the Inspector General.

(2) The County Attorney must provide legal services to the Inspector General, and may employ special legal counsel for the Inspector General under Section 213 of the Charter. If the Inspector General asks the County Attorney in writing to employ a special legal counsel and the County Attorney does not do so within 30 days after receiving the Inspector General's request, the County Attorney must inform the County Council why a special counsel was not employed.

(h) *Powers and Duties.* The Inspector General must attempt to identify actions which would enhance the productivity, effectiveness, or efficiency of programs and operations of County government and independent County agencies. In developing recommendations, the Inspector General may:

(1) conduct investigations, budgetary analyses, and financial, management, or performance audits and similar reviews; and

(2) seek assistance from any other government agency or private party, or undertake any project jointly with any other governmental agency or private body.

In each project of the Office, the Inspector General should uphold the objective of complying with applicable generally accepted government auditing standards.

(i) *Work plan.* The Inspector General must direct the activities of the Office of the Inspector General, subject to a work plan for the Inspector General's 4-year term which the Inspector General must adopt within 6 months after being appointed. The Inspector General may amend the plan during a term. The Inspector General must consider recommendations and may seek suggestions for the work plan from the Executive, the County Council, the head of each independent County agency, employees of County government and independent County agencies, employee organizations, and individual citizens. The Inspector General must release the work plan to the public but may treat any item or suggestion for an item as confidential when advance public or agency knowledge of that item or suggestion would frustrate or substantially impede the work of the Office.

(j) *Coordination.* The Inspector General should consult with the Director of the Office of Legislative Oversight to assure that the work of the Inspector General complements but does not duplicate the work assigned by the Council to the Office of Legislative Oversight, as well as audits and other evaluations conducted by other departments and agencies. The Inspector General may review any audit or program evaluation performed by any County department or agency, and may seek comments from the same or any other department or agency.

(k) *Reports.*

(1) The Inspector General must submit by October 1 each year an annual report to the Council and the Executive on the activities of the Office and its major findings and recommendations during the previous fiscal year.

(2) When the Inspector General completes a workplan item, the Inspector General must submit a written report on that item to the County Council, the Executive and the chief operating officer of each affected department or agency. The report must describe the purpose of the project, the research methods used, and the Inspector General's findings and recommendations. Each affected department or agency must be given a reasonable opportunity to respond to the Inspector General's final draft of each report. After giving the Executive and the Council a reasonable opportunity to review the report, the Inspector General must release the report to the public, subject to the state public information act. The public report must include the agency's response. The Inspector General may keep any report prepared under this paragraph, and any information received in connection with that report, confidential until the report is released to the public.

(l) *Access to information.*

(1) The Inspector General is legally entitled to, and each department or office in County government and each independent County agency must promptly give the Inspector General, any document or other information concerning its operations, budget, or programs that the Inspector General requests. The Inspector General must comply with any restrictions on public disclosure of the document or information that are required by federal or state law. The Inspector General must immediately notify the Chief Administrative Officer, the County Attorney, and the President of the Council if any department, office, or agency does not provide any document or information within a reasonable time after the Inspector General requests it. The Chief Administrative Officer (for departments and offices in the Executive branch of County government), the County Attorney (for independent County agencies), and the Council President (for offices in the legislative branch of County government) must then take appropriate action (including legal action if necessary) to require the department, office, or agency to provide the requested document or information.

(2) If the Inspector General does not receive all necessary information under paragraph (1), the Inspector General may issue a subpoena to require any person to appear under oath as a witness or produce any record or other material in connection with

an audit or investigation under this Section. The Inspector General may enforce any subpoena issued under this Section in any court with jurisdiction.

(3) The Inspector General may administer an oath or affirmation or take an affidavit from any person as necessary to perform the Inspector General's duties.

(4) Each employee of a County department or agency should report any fraud, waste, or abuse, to the Office of the Inspector General. After receiving a report or other information from any person, the Inspector General must not disclose that person's identity without the person's consent unless that disclosure is necessary to complete an audit or investigation.

(m) *Compliance.* Each of the following acts is a Class A violation:

(1) withholding or refusing to respond to a valid request for documents or information under this Section;

(2) giving false or misleading information in connection with any audit, study, or investigation under this Section;

(3) retaliating or threatening to retaliate against any person for filing a complaint with the Inspector General, furnishing information, or cooperating in any audit, study, or investigation under this Section.

(n) *Definition.* As used in this Section, "independent County agency" means:

(1) the County Board of Education and the County school system;

(2) The Maryland-National Capital Park and Planning Commission;

(3) the Washington Suburban Sanitary Commission;

(4) Montgomery College;

(5) the Housing Opportunities Commission;

(6) the County Revenue Authority; and

(7) any other governmental agency (except a municipal government or a state-created special taxing district) for which the County Council appropriates or approves funding, sets tax rates, makes levies, or approves programs or budgets. (1997 L.M.C., ch. 26, §1; 2000 L.M.C., ch. 5, § 1; 2004 L.M.C., ch. 19, § 1.)

Editor's note—See County Attorney Opinion dated 1/16/02 discussing the circumstances in which the Inspector General may access personnel records without the employee's consent. Also see 91 Op. Atty. Gen. 145 (2006), explaining the aspects of the board of education that the County may authorize the inspector general to audit and those issues that remain within the authority of the State.



A Message from the Inspector General

The Montgomery County Office of Inspector General (OIG) four-year work plan for fiscal years 2006–2009 focuses on the fundamental mission to increase the efficiency and effectiveness of County programs and operations, while preventing and detecting fraud, waste, and abuse, and increasing ethical, fiscal, and legal accountability.

This work plan meets the requirements of Montgomery County Code §2–151 and conforms to criteria of the Association of Inspectors General and other oversight organizations for the inspector general community. In addition, this plan supports requirements of §2–151 regarding submission to the County Council and Executive of a projected four-year budget for the OIG. To develop work plans, we rely on the participation of stakeholders, including County government leaders and other employees, employee and community organizations, and individual residents. We balance competing demands by effectively addressing the requirements of our stakeholders.

The goals and strategies in this plan concentrate on improvement in substantive areas. We ensure that our short and longer-term action plans are challenging and support these goals and strategies. As we gauge our baseline results for fiscal year 2006, we will fine-tune our strategies and action plans. We will also develop new performance measures for fiscal year 2007 that are reflective of the value we add to County operations. At the end of each fiscal year, we will issue an annual performance report to the County Council and Executive.

Throughout the four-year period, we will provide timely, useful, and accurate information to help the County achieve greater efficiency and operate effectively. We will strive to strengthen professional relationships with our stakeholders and coordinate our efforts with the law enforcement and audit communities. We acknowledge the invaluable assistance of the County's departments and offices with whom we work to bring about meaningful results through our audits, inspections, and investigations.

The success of this plan depends upon the commitment of the OIG staff and our stakeholders to our strategies and action plans. I am confident that we will meet the challenges that face us.

Thomas J. Dwyer

Office of Inspector General
Four-Year Work Plan

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Mission, Vision, and Goals

The OIG's mission is to conduct objective and independent audits, reviews, and investigations relating to County government and independent County agencies to:

- promote economy, efficiency, and effectiveness,
- prevent and detect fraud, waste, and abuse,
- promote ethical, fiscal, and legal accountability,
- strengthen professional relationships; and
- inform stakeholders of problems and corresponding corrective actions.

We strive to be a respected, independent audit and investigative organization that is:

- valued by all County employees, citizens, and other stakeholders,
- organized and aligned with the County's leadership system,
- supportive of a dedicated professional County workforce; and
- guided by state-of-the-art management and professional standards and practices.

Strategic Goals and Measures

- The OIG provides timely, accurate, and useful information that contributes to the efficiency and effectiveness of Montgomery County government and independent County agencies, as measured by satisfaction and dissatisfaction data collected from stakeholders.
- The OIG maximizes resources and leverages technology in support of our mission, as measured by outputs and outcomes specific to the audits and investigations we conduct.
- The OIG obtains and develops the human resources needed in support of our mission, as measured by staff preparation for changes in the work environment, teamwork, on-the-job performance improvements, and credentialing.

Statutory Responsibilities

The OIG was established by the Montgomery County Council in 1997. The OIG is an independent office – its responsibilities as prescribed by Montgomery County Code §2-151 are:

1. review the effectiveness and efficiency of programs and operations of County government and independent County agencies;
2. prevent and detect fraud, waste, and abuse in government activities; and
3. propose ways to increase the legal, fiscal, and ethical accountability of County government and County-funded agencies^{1/}.

To carry out our responsibilities, we:

- maintain an independent and objective organization to conduct and supervise audits, inspections, and investigations,
- take appropriate actions to prevent and detect fraud, waste, and abuse,
- receive and investigate credible complaints from any person or entity,
- report violations of law to the State’s Attorney for Montgomery County or other appropriate agency,
- notify the County Council and Executive of serious problems in County programs,
- review existing and proposed legislation and regulations to strengthen controls and increase accountability; and
- submit reports with recommendations to the County Council and Executive.

For each audit, inspection, and investigation, the OIG complies with applicable generally accepted auditing standards. In addition, we consider standards published by the Institute of Internal Auditors, the President’s Council on Integrity and Efficiency, and the Association of Inspectors General.

Audits provide a formal standards-based approach to review economy, efficiency, and programmatic issues. Audits may include examining revenue enhancement initiatives, collection procedures, and expenditures made under contracts and other agreements.

Inspections are an alternative method to traditional audits and investigations to assess County programs and activities. Inspections may include work that results in recommendations to decision makers to streamline operations, reduce unnecessary regulations, improve customer service, or minimize inefficient and ineffective procedures.

Investigations are a tool to investigate alleged violations of fraud, abuse, and misconduct, and laws and regulations that govern County employees, grantees, and contractors. Cases are typically developed for presentation to management for administrative action and/or a prosecutor for consideration.

^{1/} The County-funded agencies include the Montgomery County Public Schools, the Maryland-National Capital Park and Planning Commission, the Washington Suburban Sanitary Commission, Montgomery College, the Housing Opportunities Commission, the Revenue Authority, and any other governmental agency (except a municipal government or a State-created taxing district) for which the County Council appropriates or approves funding, sets tax rates, or approves programs or budgets.

The Planning Process

Major Challenges Facing Montgomery County

The County continues to face the challenge of using a balanced budget to provide affordable and reliable services. Major challenges for tax supported funds are to contain ongoing costs, preserve essential services, and make needed improvements in education, transportation, health and human services, public safety, and homeland security. Programs and other initiatives highlighted during the FY 2006 budget process include: support for public schools and Montgomery College, maintenance of facilities and roads, police and fire protection for families and homes, health care to the uninsured, medical services to victims of abuse, in-home aide to seniors, affordable housing and revitalization of older neighborhoods, and investing in County parks. Cost containment challenges include rising compensation and benefit costs such as medical costs which impact both the employee and retiree health insurance contributions and workers' compensation costs.

In addition, leaders face the challenge of using in future budget deliberations the performance measures developed and results reported in the FY 2006 operating budget and public services plan for County programs.

Plan Development

We are designing an OIG to concentrate on key provisions of the County's governance system – accountability for management actions; fiscal accountability; transparency in operations; and independence in internal and external audits. Our planning process comprises four main steps: (1) identifying a universe of County programs and activities, (2) determining a project universe, (3) conducting risk assessment, and (4) developing a plan to conduct appropriate audits, inspections, and investigations. Our universe includes programs and activities in the approved FY 2006 operating and capital budgets, and amendments to the FY 2005-2010 capital improvements program. Our project universe was identified using input from:

- Council and Office of Legislative Oversight
- Chief Administrative Officer and department directors
- independent agency leaders
- community organizations
- complaints to Inspector General
- internal and external auditors
- technology changes
- legislative actions
- emerging trends

To determine which projects to include in this plan, we used standardized and in some cases function-specific risk factors to determine those projects having a higher risk. Standard risk factors include materiality, impact on operations, visibility and public sensitivity, public interest, prior audit/investigative results, and loss potential, including fraud and other vulnerabilities.

OIG Strategy Matrix

OFFICE OF INSPECTOR GENERAL STRATEGY MATRIX

<p>Goals And Strategies</p>	<p>1. The OIG provides timely, accurate, and useful information that contributes to the efficiency and effectiveness of Montgomery County government and independent County agencies. Strategies:</p> <ul style="list-style-type: none"> • Identify major management challenges facing Montgomery County • Strengthen professional relationships <p>Conduct</p> <ul style="list-style-type: none"> • Briefings to increase awareness of OIG • Audits that result in County-wide improvements • Audits that provide timely and valuable feedback to departments on sensitive and high risk activities and operations • Audits that result in reports that maximize value and relevance to the County • Investigations that focus on high-impact, value-added cases • Investigations that are performed efficiently and timely <p>2. The OIG maximizes resources and leverages technology in support of our mission. Strategies:</p> <ul style="list-style-type: none"> • Manage the efficient use of limited OIG resources • Leverage cutting-edge technology resources and efficiently analyze data <p>3. The OIG obtains and develops the human resources needed in support of our mission. Strategies:</p> <ul style="list-style-type: none"> • Maintain an organization that attracts, develops, and retains a talented and diverse workforce • Implement quality assessment and peer review recommendations within established timeframes • Maintain compliance with educational /professional training requirements per OIG community standards
<p>Key Stakeholders ^{2/}</p>	<p>County citizens County Council, directors, and staff County Executive, Chief Administrative Officer, department directors, and division chiefs Senior leaders and staff of each independent County agency County employees Employee and community organization leaders</p>

^{2/} Stakeholders are defined as those individuals or groups that are or might be affected by the OIGs actions and effectiveness. In April – July 2005, the Inspector General sent approximately 75 letters to individuals and conducted more than 50 interviews to obtain and consider input for this work plan.

Challenges Impacting OIG Success

After identifying projects having a higher risk for adverse consequences and considering the probability of occurrence, we identified and considered a number of strategic challenges that may affect our ability to address OIG goals or individual projects. These challenges include:

1. balancing work priorities with available resources and ensuring productivity that addresses the breadth of County operations, including concerns expressed in the form of complaints to the OIG,
2. working with County leadership to be able to routinely access accurate and reliable revenue, expenditure, personnel, and other operational data,
3. obtaining the skills base needed to examine highly technical or complex areas of County operations; and
4. balancing our reporting requirements with the need to obtain and protect sensitive and confidential data.

With these challenges in mind, we identified projects and created our audit/inspection plan for the short-term (FY 2006) and the longer-term (FYs 2007–2009). Much of our work plan cuts across County programs and operations. It is difficult to identify specific action plans beyond FY 2006 – especially to the level of citing specific objectives for audits and inspections that will begin in FY 2007 and later.

Our audit and inspection action plans are categorized according to efficiency and effectiveness, or ethical, fiscal, and legal accountability. Our investigative plans involving the prevention and detection of fraud, waste, and abuse are also included. Table 1 on pages 6-7 categorizes our planned work.

While the work in this plan focuses on our core statutory requirements, it must remain dynamic. We will maintain the flexibility and discretion to redirect resources – when and where needed – to be a timely, relevant, and effective member of County operations. The OIG must be able to respond to major challenges facing Montgomery County agencies, and develop work priorities to assist County leadership in addressing these challenges. The OIG process must ensure a focus on results using the best business practices of the inspector general community.

Table 1—Key Factors and Action Plans

Key Factors	Increase Efficiency and Effectiveness	Prevent and Detect Fraud, Waste, and Abuse ^{3/}	Increase Ethical, Fiscal, and Legal Accountability
Strategic Challenges (page 5)	All	1,2,4	All
Longer-Term Action Plans (FY 2007-2009)	<p><u>Performance Audit or Inspection</u> Supply management and facilities: determine the reasonableness of project costs associated with maintenance and new construction in County and independent County agencies</p> <p>Public safety: assess expenditures by the Department of Homeland Security and other partner agencies for emergency services</p> <p>Management practices: determine the reasonableness of overtime compensation paid by County departments and agencies</p> <p>Management practices: determine the adequacy of County and independent County agency oversight of the procurement and use of telecommunication services</p> <p>Management practices: assess budgetary practices including use of program performance measures/results in budget deliberations</p> <p>Information technology: assess the efficiency and effectiveness of modernizing selected County information systems</p>	<p><u>Investigation</u> Investigate complaints received by the OIG regarding fraud, waste, or abuse in County and independent agency operations</p> <p>Examine potentially vulnerable County and independent agency procurement processes for conflicts of interest or other improper practices</p> <p><u>Quick Response Letter</u> Issue letters to senior leaders to resolve issues without using a formal audit, inspection, or investigative report</p>	<p><u>Performance Audit or Inspection</u> Ethics: assess the County’s compliance with laws, policies, and practices including monitoring and responding to breaches of ethical behavior</p> <p>Governance: review practices of the County’s independent public accounting firm regarding annual financial statement audits; evaluate the potential value of applying certain provisions of the Sarbanes-Oxley Act to County operations</p> <p>Legal and ethical: examine the adequacy of administrative and legal protection for whistleblowers</p> <p>Legal: determine County public school compliance with public meeting laws regarding certain financial and policy decisions</p> <p>Legal: assess compliance with laws, policies, and procedures regarding the County’s housing and other development approval process</p> <p><u>Quick Response Letter</u> Issue letters to senior leaders to resolve issues without using a formal audit, inspection, or investigative report</p>

^{3/} The information we investigate may include the following: alleged violation of law, rules, or regulations; significant misconduct; significant mismanagement and waste of funds; abuse of authority; improper use of County resources; endangerment of public health and safety; conflict of interest; bribes, kickbacks or bid rigging; fraudulent travel claims; contract or procurement fraud; health care fraud; workers’ compensation fraud. The information we do not investigate includes: day-to-day management decisions, EEO complaints, decisions handled by the grievance process, employee benefits and compensation.

Table 1—Key Factors and Action Plans

Key Factors	Increase Efficiency and Effectiveness	Prevent and Detect Fraud, Waste, and Abuse	Increase Ethical, Fiscal, and Legal Accountability
<p>Short-Term Action Plans (FY 2006)</p>	<p><u>Performance Audit or Inspection</u> Management practices: determine the reliability of selected FY 2005 County financial reports, and program results for Human Resources, Public Works and Transportation, and Community Development and Housing</p> <p>Management practices: assess the County's workers' compensation program, including benchmarking with comparable jurisdictions</p> <p>Procurement practices: determine if County purchases are made in the most economical and efficient manner, including whether appropriate contracts are used to obtain better prices for commonly procured goods and services</p>	<p><u>Investigation</u> Investigate complaints received by the OIG regarding fraud, waste, or abuse in County and independent agency operations (see page 8 for a breakdown of open complaints as of 7/1/05)</p> <p>Investigate allegations of fraud regarding certain activities of the County's housing and other development approval process</p> <p>Investigate potentially fraudulent workers' compensation claims to deter abusive practices and reduce costs</p> <p><u>Quick Response Letter</u> Issue letters to senior leaders to resolve issues without using a formal audit, inspection, or investigative report</p>	<p><u>Performance Audit or Inspection</u> Financial: determine whether an adequate internal control structure is in place for the County's purchasing card program</p> <p>Financial: determine if certain types of County accidents, injuries, and illnesses are targeted for reduction of incidents and costs through prevention initiatives</p> <p>Legal/governance: recommend implementation of an OIG-operated fraud-referral system (including a hotline) to ensure County employees, contractors, and citizens have the opportunity to communicate concerns about fraud, waste, and abuse without fear of retribution</p> <p><u>Quick Response Letter</u> Issue letters to senior leaders to resolve issues without using a formal audit, inspection, or investigative report</p> <p><u>Stakeholder requirements</u> Establish an OIG citizens' advisory group to ensure adequate input on accountability issues</p>
<p>Communication of Results</p>	<p>Reports with recommendations to the County Executive, Council, advisory board members, and leader of affected department or independent agency</p>	<p>Investigative reports submitted to the Chief Administrative Officer (or designee), other appropriate leaders, and/or State's Attorney, subject to State and County public information laws</p>	<p>Reports with recommendations to the County Executive, Council, advisory board members, and leader of affected department or independent agency</p>

Summary of Open Complaints on July 1, 2005

Complaint Category	Total
Employee conduct	18
Contractor conduct	4
Spending practices	6
Revenue collection practices	3
Internal control practices	3
Other	11
Total	45

Linking Strategic Work Plans With Budgets

Montgomery County Code §2-151 requires the Inspector General to submit to the County Council and Executive, within four months of confirmation, a projected budget for the OIG. While the OIG plans to issue a separate report to comply with this requirement, some budget information is included in this work plan.

A key to operational success is linking the strategic work plan with the OIG budget. To address this issue, the estimated direct (audit and investigative) and support work years needed to accomplish the short and longer-term action plans in Table 1 are described below. These figures do not include any operating funds needed for consulting services.

Year	Increase in Direct Work Years	Direct Work Years	Increase in Support Work Years	Support Work Years	Total Work Years
FY 2006	.6	1.6	.8	1.0	4.0
FY2007	1.4	1.6	1.4	1.0	5.4
FY 2008	1.7	1.6	1.7	1.0	6.0
FY2009	1.7	1.6	1.7	1.0	6.0

Ideas Worth Exploring

The role of the OIG is not only to fight fraud, waste, and abuse but also to promote economy, efficiency, and effectiveness in County programs and operations. Therefore, researching initiatives is within the OIG's area of responsibility. Ideas are presented here that may reduce costs, improve efficiencies, or introduce new ways of doing business. Throughout the period covered by this work plan, the OIG plans to work with Council and Executive staff to determine the feasibility of various ideas, including the three items cited below:

OIG Fraud, Waste, and Abuse Hotline

Consideration should be given to establishing and promoting a formal fraud-referral system (including a hotline) operated by the Office of Inspector General as a mechanism for employees, contractors, and citizens to report suspected fraud, waste, and abuse in County government and County-funded agencies. Respondents to a 2004 survey by the Association of Certified Fraud Examiners (ACFE) revealed that various forms of fraud are detected 40 percent of the time by tips, which make an independent hotline the leading method for detecting fraud. Currently, there are fraud-referral processes in use in the County; however, none appear to operate in a manner consistent with all standards recommended by the ACFE or the Government Finance Officers Association. Employees, contractors, suppliers, and citizens should be encouraged and given the means to communicate, anonymously if desired, concerns without fear of retribution.

OIG support to Occupational Safety and Health Program, Department of Finance

Consideration should be given to establishing an injury compensation working group that includes the OIG to identify and help control increasing costs associated with workers' compensation claims. Such a group could explore audit and investigative initiatives to identify and address provider and claimant fraud as potential contributing factors to rising costs. The audit and investigative expertise of OIGs in several federal, state, or local government organizations has significantly contributed to managing workers' compensation costs in recent years.

OIG investigation of allegations that include criminal conduct

County personnel regulations state that potentially illegal or improper acts in government should be reported to an appropriate official to investigate or take corrective action. However, investigative responsibility for allegations of serious misconduct that include criminality is not specified. Consideration should be given to establishing a working group that includes the OIG to clarify investigative responsibilities for all allegations that include criminality. This clarification will help ensure such allegations are independently and thoroughly investigated and, when appropriate, presented to the State's Attorney for consideration. The responsibilities of the OIG as defined in Montgomery County Code §2-151 should be considered to ensure accountability in this area.

Inspector General

MISSION STATEMENT

The mission of the Office of Inspector General is to promote the effectiveness and efficiency of programs and operations of County government and independent County agencies; prevent and detect fraud, waste, and abuse in government activities; and propose ways to increase the legal, fiscal, and ethical accountability of County government and County-funded agencies.

BUDGET OVERVIEW

The total approved FY09 Operating Budget for the Office of Inspector General is \$700,720, an increase of \$33,240 or 5.0 percent from the FY08 Approved Budget of \$667,480. Personnel Costs comprise 79.7 percent of the budget for five full-time positions for five workyears. Operating Expenses and Capital Outlay account for the remaining 20.3 percent of the FY09 budget.

LINKAGE TO COUNTY RESULT AREAS

While this program area supports all eight of the County Result Areas, the following are emphasized:

- ❖ **A Responsive, Accountable County Government**
- ❖ **Strong and Vibrant Economy**
- ❖ **Vital Living for All of Our Residents**

PERFORMANCE MEASURES

This table presents the department's performance data estimates and projections from FY08 through FY10 if there are no changes in funding.

Measure	Actual FY06	Actual FY07	Estimated FY08	Approved FY09	Projected FY10
Audits/reviews reported to Council/Executive management	4	4	3	5	3
Credible complaints closed	94	53	55	45	50
Credible complaints opened	53	54	51	60	55
Joint investigations with prosecutors	3	2	2	2	3
Formal responses to fraud, waste, and abuse matters reported to management by the Office of Inspector General	14	10	8	15	15
Questioned costs or potential savings (\$000)	182	1,100	9,500	500	1,000
County/taxpayer funds recovered or put to different use as the result of audit findings and investigations (\$000)	14,000	3,076	500	3,000	2,000
Percentage of audit recommendations accepted	67	67	67	67	67

ACCOMPLISHMENTS AND INITIATIVES

- ❖ **Following a bid protest and a joint OIG/State investigation, a hearing officer reversed a \$500,000 contract award to replace lights at a County athletic complex. Findings included the use of false financial data by the awardee. A decision to rebid the work is pending.**
- ❖ **Conducted an audit of selected Capital Improvements Program projects involving \$11 million in Clarksburg Development District funding. Recommended improvements in the County's administration of related road construction projects. Council action on this District is pending.**

PROGRAM CONTACTS

Contact Thomas J. Dagley of the Office of Inspector General at 240.777.8240 or Helen Vallone of the Office of Management and Budget at 240-777-2755 for more information regarding this department's operating budget.

PROGRAM DESCRIPTIONS

Inspector General

The Inspector General conducts independent audits, reviews, and investigations; receives and investigates credible complaints; reports violations of the law to the State's Attorney for Montgomery County or other appropriate office; notifies the County Council and Executive of serious problems in programs; reviews legislation and regulations to strengthen controls and increase accountability; and submits reports with recommendations to the Council and Executive. The Inspector General conducts projects jointly with other government agencies and contractors.

BUDGET SUMMARY

	Actual FY07	Budget FY08	Estimated FY08	Approved FY09	% Chg Bud/App
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	422,929	500,280	485,520	457,300	-8.6%
Employee Benefits	80,471	113,210	78,340	101,470	-10.4%
County General Fund Personnel Costs	503,400	613,490	563,860	558,770	-8.9%
Operating Expenses	27,360	53,990	49,630	137,950	155.5%
Capital Outlay	3,715	0	0	4,000	—
County General Fund Expenditures	534,475	667,480	613,490	700,720	5.0%
PERSONNEL					
Full-Time	4	6	6	5	-16.7%
Part-Time	2	1	1	0	—
Workyears	4.9	5.8	5.8	5.0	-13.8%

FY09 APPROVED CHANGES

	Expenditures	WYs
COUNTY GENERAL FUND		
FY08 ORIGINAL APPROPRIATION	667,480	5.8
Changes (with service impacts)		
Add: Consulting Services	25,000	0.0
Eliminate: Public Administration Intern position	-56,630	-1.0
Other Adjustments (with no service impacts)		
Increase Cost: Annualization of FY08 Operating Expenses	62,320	0.0
Increase Cost: General Wage and Service Increment Adjustments	29,030	0.0
Increase Cost: Retirement Adjustment	9,150	0.0
Increase Cost: Annualization of Capital Outlay	4,000	0.0
Increase Cost: Group Insurance Adjustment	2,850	0.0
Increase Cost: Printing and Mail Adjustments	400	0.0
Decrease Cost: Elimination of One-Time Items Approved in FY08	-3,760	0.0
Decrease Cost: Annualization of FY08 Personnel Costs	-39,120	0.2
FY09 APPROVED:	700,720	5.0