

Worksession

MEMORANDUM

April 17, 2014

TO: Government Operations and Fiscal Policy Committee
FROM: ^{JCA} Jean C. Arthur, Legislative Analyst
SUBJECT: **Worksession: FY15 Operating Budget
Office of the Inspector General (OIG)**

The relevant pages from the FY15 Recommended Operating Budget are at ©1-3.

The following persons are expected at this worksession:

Edward Blansitt, Inspector General
Crystal Brockington Sallee, OMB Analyst

OVERVIEW

For FY15, the County Executive recommends a total of \$757,046, a decrease of \$73,054 or 8.8 percent from the FY14 approved budget of \$830,100. The recommended appropriation funds four full-time positions. Operating expenses are 9.0 percent of this budget.

	FY14 Approved	FY15 CE Recommended	% Change
EXPENDITURES			
General Fund			
• Personnel	\$662,005	\$688,744	4.0%
• Operating Expenses	\$168,095	\$68,302	-59.4%
Total Expenditures	\$830,100	\$757,046	-8.8%
PERSONNEL			
Full-time	5	4*	-20%
Part-time	0	0	
FTEs	5	5	

* The OIG has four full-time filled positions and an additional position that is currently being used as a pooled, group position which is counted as an FTE, but is not counted as either a full-time or part-time position.

Highlights

Data analytics. The OIG intends to use data analytics to increase its ability to detect waste, fraud and abuse. OIG staff members have been trained in the use of data analytical tools.

Work plan. In FY15, the Office of the Inspector General (OIG) will focus on several priorities.

Its highest priority will be to promptly review each complaint that is received and respond to the complainant. Complaints will be evaluated to determine whether there are reasonable grounds to suspect waste, inefficiency, or a violation of policy or legal requirements.

Second, OIG will continue to review the current status of audit and investigative recommendations made in prior-year OIG reports.

The OIG's specific planned audits and investigations in FY15 include:

- Selected reviews of procurements and acquisition practices
- Review of Risk Management
- Analyses of selected financial and non-financial data
- Reviews of selected administrative processes

Contracting out and operating costs. As necessary, OIG supplements its small staff with contract subject matter experts. For the FY14 budget, the Council approved \$100,000 in operating expenses for such contracts. That money is not included in the recommended FY15 budget because at this point, OIG does not know whether it will need outside expertise.

FY14 Final and Anticipated Office of the Inspector General Reports

- **Report of Inquiry: Montgomery County Department of Economic Development - Bethesda Cultural Alliance, March 19, 2014**
- **Advisory Memorandum: Montgomery County Employee Leave Balances, March 13, 2014**
- **Report of Inspection: Montgomery County Department of Liquor Control - Review of Management Controls Over Inspectors, January 13, 2014**
- **Report of Review: Montgomery County Public Schools' Acquisition of Promethean Interactive Classroom Technology Systems, November 30, 2013**
- **Report of Inquiry: Montgomery County Office of Consumer Protection, July 9, 2013**

- Report of Inspection: Silver Spring Transit Center (Anticipated)
- Report of Inspection: Department of Liquor Control One-Day Licenses (Anticipated)

Staffing

In addition to the three assistant and associate inspector generals, the OIG also uses contract specialists to help as needed. As mentioned in the endnote above, although OIG has four full-time positions, it has five FTEs because of a pooled, group position that is not included in the head-count.

Performance Measures

The chart below highlights some key performance measures:

	FY14 Goal	FY14 YTD	FY15 Goal
Percentage of complaints reviewed and action initiated within five business days	90	100	98
Percentage of inquiries completed within 60 days	70	93	85
Percentage of complaints resolved or referred to management within 90 days	70	86	85
Percentage of investigations/audits completed within six months	50	50	50

Work Plan

The OIG submitted its four-year work plan to the Council in August 2013. The plan projects that the OIG will need at least 5 staff years to accomplish the tasks. The recommended budget includes that staffing and also includes operating expenses, part of which the Inspector General can use for qualified external audit contractors where specific expertise is required and that use is cost effective.

Council Staff Recommendation: Approve as submitted by the County Executive.

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 recommended FY15 Operating Budget for the Office of Inspector General is \$757,046, a decrease of \$73,054 or 8.8 percent from the FY14 Approved Budget of \$830,100. Personnel Costs comprise 91.0 percent of the budget for four full-time positions, and a total of five FTEs. Total FTEs may include seasonal or temporary positions and may also reflect workforce charged to or from other departments or funds. Operating Expenses account for the remaining 9.0 percent of the FY15 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**

DEPARTMENT PERFORMANCE MEASURES

Performance measures for this department are included below. The FY14 estimates reflect funding based on the FY14 approved budget. The FY15 and FY16 figures are performance targets based on the FY15 recommended budget and funding for comparable service levels in FY16.

Measure	Actual FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
Program Measures					
Percent of audit recommendations accepted	67%	100%	90%	75%	75%
Percent of complaints reviewed and action initiated within five business days	90%	96%	100%	98%	98%
Percent of inquiries completed within 60 days	70%	72%	93%	85%	85%
Percent of complaints resolved or referred to management within 90 days	70%	89%	86%	85%	85%
Percent of audit/inspection/investigation reports completed within 180 days	50%	50%	50%	50%	50%

ACCOMPLISHMENTS AND INITIATIVES

- ❖ **In addition to anticipated issues arising from complaints, the OIG will in FY 2015-2017 focus on two areas: acquisitions and procurements; and accountability of County Government, Independent County agencies, employees, and others receiving Montgomery County funds.**
- ❖ **Use data analytics to the fullest extent possible in our future activities to identify management/internal control weaknesses or deficiencies of organizations and technology systems; to allow auditors to review 100 percent of available data rather than just a smaller statistical sample; and to detect "needles in a haystack" instances of fraud. All OIG staff members received training in the use of data analytics tools during FY 2014.**
- ❖ **The OIG will use contract subject matter experts to assist in conduct of specific audits and investigations. As necessary and cost effective, we will supplement OIG staff with qualified external subject matter expert contractors where specific expertise is required by OIG in order to address technical issues beyond the expertise of OIG staff. The specific subject matter expertise required and the related costs will depend on external circumstances that the OIG can neither predict nor control. Accordingly, while the one-time, non-recurring cost associated with acquisition of expertise for a major review was appropriated and is included in FY 2014, this cost is not included in amounts projected for FY 2015-2017.**

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- ❖ ***The OIG will leverage resources, continuing efforts to make our reviews a partnership between OIG staff and the audited entity which will ultimately be charged with the task of implementing changes in response to OIG findings and recommendations. This approach will enhance our mutual understanding of the issues without sacrificing our independence or objectivity.***

PROGRAM CONTACTS

Contact Ed Blansitt of the Office of Inspector General at 240.777.8241 or Crystal B. Sallee of the Office of Management and Budget at 240.777.2778 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 possible violations of the law to law enforcement or another appropriate organization; 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 appropriate officials. The Inspector General periodically conducts projects jointly with other government agencies and contractors.

BUDGET SUMMARY

	Actual FY13	Budget FY14	Estimated FY14	Recommended FY15	% Chg Bud/Rec
COUNTY GENERAL FUND					
EXPENDITURES					
Salaries and Wages	447,884	535,547	540,401	569,225	6.3%
Employee Benefits	91,003	126,458	126,459	119,519	-5.5%
County General Fund Personnel Costs	538,887	662,005	666,860	688,744	4.0%
Operating Expenses	106,767	168,095	168,095	68,302	-59.4%
Capital Outlay	0	0	0	0	—
County General Fund Expenditures	645,654	830,100	834,955	757,046	-8.8%
PERSONNEL					
Full-Time	4	5	5	4	-20.0%
Part-Time	1	0	0	0	—
FTEs	4.80	5.00	5.00	5.00	—

FY15 RECOMMENDED CHANGES

	Expenditures	FTEs
COUNTY GENERAL FUND		
FY14 ORIGINAL APPROPRIATION	830,100	5.00
Other Adjustments (with no service impacts)		
Increase Cost: FY15 Compensation Adjustment	32,342	0.00
Increase Cost: Group Insurance Adjustment	760	0.00
Increase Cost: Retirement Adjustment	253	0.00
Increase Cost: Printing and Mail	207	0.00
Decrease Cost: Annualization of FY14 Personnel Costs	-6,616	0.00
Decrease Cost: Elimination of One-Time Items Approved in FY14	-100,000	0.00
FY15 RECOMMENDED:	757,046	5.00

FUTURE FISCAL IMPACTS

Title	CE REC.					
	FY15	FY16	FY17	FY18	FY19	FY20
(5000's)						
This table is intended to present significant future fiscal impacts of the department's programs.						
COUNTY GENERAL FUND						
Expenditures						
FY15 Recommended	757	757	757	757	757	757
No inflation or compensation change is included in outyear projections.						
Labor Contracts	0	10	10	10	10	10
These figures represent the estimated annualized cost of general wage adjustments, service increments, and associated benefits.						
Subtotal Expenditures	757	768	768	768	768	768