

**MEMORANDUM**

April 21, 2021

TO: Government Operations and Fiscal Policy Committee  
FROM: Craig Howard, Deputy Director  
SUBJECT: **Office of Inspector General FY22 Operating Budget**  
PURPOSE: Make Committee recommendations for Council Consideration

**Expected Participants:**

- Megan Limarzi, Inspector General
- Phil Weeda, Office of Management and Budget

**Summary of FY22 Recommended Budget and Key Recommendations/Discussion Issues**

<b>Office of the Inspector General</b>	<b>FY21 Approved</b>	<b>FY22 CE Recommended</b>	<b>Change from FY21 Approved</b>
<b>Total Expenditures (General Fund)</b>	<b>\$1,835,612</b>	<b>\$2,091,455</b>	<b>13.9%</b>
Personnel Costs	\$1,742,084 12.0 FTEs	\$1,981,718 14.0 FTEs	13.8% 2.0 FTEs
Operating Costs	\$93,528	\$109,737	17.3%

**Council staff recommends:**

- **Approval of the FY22 Office of the Inspector General (OIG) budget as recommended by the County Executive**
- **As required by the County Code, approve a three-year budget projection for the OIG of \$2,190,455 per year**

**A. FY22 Recommended Budget Changes**

The Executive's FY22 recommended operating budget for the Office of the Inspector General (OIG) totals \$2,091,455, and increase of \$255,843 or 13.9% from the FY21 approved budget (©1-4). The Executive also recommends 14.0 FTEs for the OIG in FY22, and increase of 2.0 FTEs from FY21. The changes included in the Executive's recommendation are summarized below:

- Increase of \$197,071 and 2.0 FTE to provide additional staffing for the OIG Audit Division. These positions are added in alignment with the additional requirements placed on the OIG by Bill 11-19 (discussed in more detail below). One position is budgeted to begin at the start of the fiscal year, and the other position is budgeted to begin in January.
- An increase of \$36,691 from the reclassification of two positions. In FY21, the OIG reclassified a pooled Investigative Analyst position to a Manager III position to head the Investigations and Inspections Division and reclassified a Manager II position to a Manager III position to head the Audit Division.
- A net increase of \$22,081 primarily from FY21 and FY22 compensation adjustments and annualization of FY21 personnel costs.

A summary of OIG’s mid-year FY21 highlights is attached at ©5.

## B. OIG Staffing

Bill 11-19, adopted by the Council in October 2019, expanded the Inspector General’s duties by: 1) requiring the OIG to conduct a systematic, risk-based rotating review of the internal accounting and contracting processes and controls used by each department and principal office in the Executive Branch; and 2) requiring the OIG to audit high-risk County contracts and agreements. The Bill also requires the Council to ensure that the operating budget for the OIG is sufficient to provide the services required by this law.

During the deliberations on Bill 11-19, the OIG developed a staffing scenario with a multi-year phase in of additional staffing needed to fully implement the requirement of the Bill by FY23 (attached at ©6). In total, OIG estimated a need for 26.0 FTEs to fully implement Bill 11-19, an increase of 19.0 FTE compared to the office’s staffing complement of 7.0 FTE when the Bill was being deliberated.

The Council did add 5.0 FTE to the OIG in FY20, however due to the onset of the COVID-19 pandemic and the resulting continuity of services budget the Council was unable to add positions in FY21. As a result, OIG staffing is not on track to meet the FY23 target as identified in the initial staffing plan as shown in the table below:

Office of the Inspector General	FY19 Actual	FY20 Actual	FY21 Actual	FY22 CE Rec.	FY23	FY24
Total FTEs Proposed Under Phased in Implementation Plan	7	12	17	23	26	26
Actual FTEs	7	12	12	14		
<b>Difference</b>	<b>0</b>	<b>0</b>	<b>(5)</b>	<b>(9)</b>		

### **C. Racial Equity and Social Justice**

For the FY22 operating budget development process, OMB, working with ORESJ, developed and dedicated a section of the program proposal form to addressing racial equity. Departments were asked the following questions:

- Does your department use quantitative and qualitative data to track program access and/or service outcomes for different population groups?
- Which community residents will potentially benefit the most from your program proposal or be burdened by your program proposal?
- How does the program promote racial equity?

Given that the County is still in the process of training staff on applying a racial equity and social justice lens to programming and budget decisions, OMB received a variety of responses. Council staff is documenting these responses to establish an official baseline for each department and to identify promising practices and gaps in information. Beginning later this spring, as Council staff works to develop its Racial Equity and Social Justice Action Plan, we will evaluate what information departments are utilizing, or could utilize, to apply a racial equity lens to budget decisions. Council staff will also coordinate with OMB and ORESJ to help inform a more robust analysis for FY23 and future budget cycles.

### **D. Staff Recommendation**

**Council staff recommends approval of the FY22 Office of the Inspector General (OIG) budget as recommended by the County Executive.**

In addition, as required by the County Code, the Council must recommend a projected budget for the OIG for the next three fiscal years as part of the approved budget resolution. Since the Council cannot appropriate funds for future fiscal years, the recommended projected budget is not binding on either the Executive or the Council. In past years, the Council has recommended a three-year projection that maintains funding levels for the OIG. Consistent with this practice, Council staff recommends a funding projection of \$2,190,455 for FY23, FY24, and FY25. This amount reflects the Executive's FY22 recommendation with annualized costs from the proposed compensation increases.



# Inspector General

## RECOMMENDED FY22 BUDGET

\$2,091,455

## FULL TIME EQUIVALENTS

14.00

MEGAN DAVEY LIMARZI, INSPECTOR GENERAL

## MISSION STATEMENT

The mission of the Office of the Inspector General (OIG) 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 FY22 Operating Budget for the Office of Inspector General is \$2,091,455, an increase of \$255,843 or 13.94 percent from the FY21 Approved Budget of \$1,835,612. Personnel Costs comprise 94.75 percent of the budget for 13 full-time position(s) and no part-time position(s), and a total of 14.00 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 5.25 percent of the FY22 budget.

## COUNTY PRIORITY OUTCOMES

While this program area supports all seven of the County Executive's Priority Outcomes, the following are emphasized:

- Thriving Youth and Families**
- A Growing Economy**
- Effective, Sustainable Government**




## INITIATIVES

- The OIG reviewed the Public Health Emergency Grants issued by Montgomery County in response to the COVID-19 public health crisis. OIG assessed the resulting programs and agreements totaling \$20.95M where the risk was high and opportunities for abuse were many. OIG issued a Bulletin to County leadership in October 2020 outlining enhancements that could be instituted to strengthen current and future County grant programs. By reviewing programs at their inception, the OIG can recommend impactful modifications and safeguarding measures to ensure the integrity of County programs.

## INNOVATIONS AND PRODUCTIVITY IMPROVEMENTS

- Implemented an outreach program to help educate County Employees on how they can help the OIG to fight fraud, waste

and abuse, and improve the effectiveness and efficiency of the programs and operations of the County government and independent County agencies. Outreach efforts resulted in a 92% increase in complaints received between FY19 and FY20.

-  Implemented an Audit Division to conduct systematic risk-based rotating group by group review of the internal accounting and contracting processes and controls for Montgomery County Government departments.
-  Expanded oversight by over \$2 Billion to include Montgomery College, the Housing Opportunities Commission of Montgomery County, the Montgomery County Board of Education, and Montgomery County Public Schools through passage of legislation.
-  Acquired and implemented a critical case management system to support the work of the Audit Division by providing a platform for audit planning, project execution, and report distribution. The software is programmed to assure conformance with the generally accepted governmental auditing standards which is the standard the OIG is required to meet under county law.

## PROGRAM CONTACTS

Contact Becky Bolat of the Office of Inspector General at 240-777-1158 or Philip Weeda of the Office of Management and Budget at 240.777.2780 for more information regarding this department's operating budget.

## PROGRAM PERFORMANCE MEASURES

Performance measures for this department are included below (where applicable). The FY21 estimates reflect funding based on the FY21 Approved Budget. The FY22 and FY23 figures are performance targets based on the FY22 Recommended Budget and funding for comparable service levels in FY23.

Measure	Actual FY19	Actual FY20	Estimated FY21	Target FY22	Target FY23
<b>Program Measures</b>					
Percent of initial inquiries (with no reports or memo) completed within 20 business days <sup>1</sup>	82%	93%	80%	80%	80%
Percent of audit/inspection/investigation reports completed within 8 months	50%	100%	60%	60%	60%
Percent of complaints reviewed and action initiated within 5 business days	98%	96%	95%	95%	95%
Number of audits or reviews of Principal Departments completed in current cycle (24 total to be completed in FY21-FY24 cycle)	N/A	N/A	3	5	6
Number of evaluations, inspections, or reviews of County programs and operations completed annually (the goal is two per year)	N/A	N/A	2	2	2

<sup>1</sup> The Office of Inspector General (OIG) either completed preliminary inquiry work without further comment, or reclassified the item for continuation as an audit, inspection, investigation, evaluation, or review.

## 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 County 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 FY20	Budget FY21	Estimate FY21	Recommended FY22	%Chg Bud/Rec
<b>COUNTY GENERAL FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	749,316	1,431,510	1,200,655	1,602,796	12.0 %
Employee Benefits	159,586	310,574	281,114	378,922	22.0 %
<b>County General Fund Personnel Costs</b>	<b>908,902</b>	<b>1,742,084</b>	<b>1,481,769</b>	<b>1,981,718</b>	<b>13.8 %</b>
Operating Expenses	106,798	93,528	63,328	109,737	17.3 %
<b>County General Fund Expenditures</b>	<b>1,015,700</b>	<b>1,835,612</b>	<b>1,545,097</b>	<b>2,091,455</b>	<b>13.9 %</b>
<b>PERSONNEL</b>					
Full-Time	6	11	11	13	18.2 %
Part-Time	0	0	0	0	—
FTEs	7.00	12.00	12.00	14.00	16.7 %

### FY22 RECOMMENDED CHANGES

	Expenditures	FTEs
<b>COUNTY GENERAL FUND</b>		
<b>FY21 ORIGINAL APPROPRIATION</b>	<b>1,835,612</b>	<b>12.00</b>
<b><u>Changes (with service impacts)</u></b>		
Add: Implementation of Bill 11-19- Staff for OIG Audit Division [Inspector General]	197,071	2.00
<b><u>Other Adjustments (with no service impacts)</u></b>		
Increase Cost: FY21 Compensation Adjustment	62,379	0.00
Increase Cost: Reclassification of Positions [Inspector General]	36,691	0.00
Increase Cost: FY22 Compensation Adjustment	24,942	0.00
Increase Cost: Print and Mail Adjustment	3,226	0.00
Increase Cost: Retirement Adjustment	2,431	0.00
Decrease Cost: Annualization of FY21 Personnel Costs	(70,897)	0.00
<b>FY22 RECOMMENDED</b>	<b>2,091,455</b>	<b>14.00</b>

### FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY22	FY23	FY24	FY25	FY26	FY27
<b>COUNTY GENERAL FUND</b>						
<b>EXPENDITURES</b>						
<b>FY22 Recommended</b>	<b>2,091</b>	<b>2,091</b>	<b>2,091</b>	<b>2,091</b>	<b>2,091</b>	<b>2,091</b>
No inflation or compensation change is included in outyear projections.						
<b>Annualization of Positions Recommended in FY22</b>	<b>0</b>	<b>61</b>	<b>61</b>	<b>61</b>	<b>61</b>	<b>61</b>

## FUNDING PARAMETER ITEMS

CE RECOMMENDED (\$000S)

Title	FY22	FY23	FY24	FY25	FY26	FY27
New positions in the FY22 budget are generally assumed to be filled at least two months after the fiscal year begins. Therefore, the above amounts reflect annualization of these positions in the outyears.						
<b>Elimination of One-Time Items Recommended in FY22</b>	<b>0</b>	<b>(4)</b>	<b>(4)</b>	<b>(4)</b>	<b>(4)</b>	<b>(4)</b>
Items recommended for one-time funding in FY22, including (fill in major item names based on your Competition List), will be eliminated from the base in the outyears.						
<b>Labor Contracts</b>	<b>0</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>42</b>
These figures represent the estimated annualized cost of general wage adjustments, service increments, and other negotiated items.						
<b>Subtotal Expenditures</b>	<b>2,091</b>	<b>2,190</b>	<b>2,190</b>	<b>2,190</b>	<b>2,190</b>	<b>2,190</b>

## ANNUALIZATION OF FULL PERSONNEL COSTS

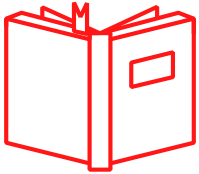
	FY22 Recommended		FY23 Annualized	
	Expenditures	FTEs	Expenditures	FTEs
Implementation of Bill 11-19- Staff for OIG Audit Division	184,088	2.00	245,450	2.00
<b>Total</b>	<b>184,088</b>	<b>2.00</b>	<b>245,450</b>	<b>2.00</b>

# OFFICE OF THE INSPECTOR GENERAL

MONTGOMERY COUNTY, MARYLAND

## FY2021 HIGHLIGHTS

AS OF APRIL 20, 2021



### PUBLICATIONS

The OIG issued **10** public reports and **3** management advisories, making **49** associated recommendations

### ENGAGEMENTS

The OIG initiated **23** audits, investigation and/or reviews



### PROGRAM FUNDS UNDER REVIEW

The OIG reviewed programs valued at over **\$428,305,161**

### HOTLINE OPERATIONS

The OIG received **180** hotline complaints. Representing a **9%** increase over FY2020



### AUDITS INITIATED

The OIG Audit Division initiated **2** audits following Government auditing standards

### COVID SPENDING OVERSIGHT

To date, the OIG has initiated **6** COVID spending related engagements to assist in identifying waste, and preventing abuse and fraud



(5)

### REPORT FRAUD, WASTE & ABUSE

 [ig@montgomerycountymd.gov](mailto:ig@montgomerycountymd.gov)

 240-777-7oig (7644)

 <http://montgomerycountymd.gov/oig/hotline.html>





## Inspector General's Fiscal Impact Projection for Four-Year Phased In Implementation of Bill 11-19

Scenario: Risk-based rotating audits	FY19	FY20	FY21	FY22	FY23	FY24
Current Baseline - 7 FTE	1,140,590	1,231,797	1,231,797	1,231,797	1,231,797	1,231,797
<b>FTE / Salaries - Inspector General's Projection</b>						
M2 Manager - Deputy Inspector General for Audit						
Cumulative Number added over life of projection		1	1	1	1	1
Projected Personnel Costs		79,096 a	162,939	167,827	172,862	178,048
Aministrative Services Coordinator - Grade 28						
Cumulative Number added over life of projection		1	1	1	1	1
Projected Personnel Costs		123,420 a	111,232	120,025	126,435	138,910
Senior Auditor - Grade 28						
Cumulative Number added over life of projection		1	2	3	4	4
Projected Personnel Costs		123,420 a	222,464 e	360,076 e	505,741 e	555,641
Auditor - Grade 26						
Cumulative Number added over life of projection		1	2	3	4	4
Projected Personnel Costs		56,210 a	202,638 e	327,986 e	460,670 e	506,122
Entry level Auditor - Grade 21						
Cumulative Number added over life of projection		1	4	7	8	8
Projected Personnel Costs		44,434 a	297,486 e	589,253 e	752,592 e	800,175
Administrative Specialist II - Grade 18						
Cumulative Number added over life of projection		0	0	1	1	1
Projected Personnel Costs		0 a	0	81,965 e	84,423	86,956
<b>Increases for start-up positions and ongoing overhead</b>						
Furniture	0	23,855 b	0	21,470	0	0
Computer	0	10,436 c	10,436	12,523	6,262	0
Rent Increase	0	46,173 d	95,117	186,144 d	191,728	197,480
Training and continuing education	0	8,369	17,240	28,411	34,750	35,793
Offices supplies	0	5,978	12,315	20,295	24,823	25,567
Business travel (conducting audit activity)	0	1,000	1,061	1,093	1,126	1,159
IDEA Seat License - 2,960 each and 525 annual renewal		2,960	1,050	1,575	2,100	2,100
<i>Note: All salaries have been netted up to include benefits at rate equivalent to current IG staff.</i>						
<b>Total - Risk-based rotating audits cost</b>	<b>1,140,590</b>	<b>1,633,729</b>	<b>2,254,543</b>	<b>3,030,414</b>	<b>3,468,874</b>	<b>3,620,839</b>
<b>Cost increase over baseline</b>	<b>0</b>	<b>401,932</b>	<b>1,022,746</b>	<b>1,798,617</b>	<b>2,237,077</b>	<b>2,389,042</b>
<b>Total - Risk-based rotating audits FTE</b>	<b>7</b>	<b>12</b>	<b>17</b>	<b>23</b>	<b>26</b>	<b>26</b>
<b>Cummulative FTE increase over baseline</b>	<b>0</b>	<b>5</b>	<b>10</b>	<b>16</b>	<b>19</b>	<b>19</b>

**Notes:**

- a Projected Personnel Costs include salaries and benefits increasing at 3% annually, and represent 1/2 year expense for initial year of hire.
- b Office furniture for staff addition in FY20 and FY21 are incurred in FY20, and in FY22 for FY22, FY23, & FY24 staff additions.
- c Computers will be acquired in the year of the staff addition; cost will be borne by the Device Client Management program in the Department of Technology Services
- d Additional office space is projected to increase in two steps. Initially, interim space will be secured in the second half of FY20 to accommodate the FY20-21 staffing additions. In FY22, space will be increased to accomodate all remaining staff additions project over the program. Cost will be borne by the Non-Departmental Account for Leases. Allowance is made for a 3% annual rent increase projected from the OIG's current office lease.
- e Projected Personnel Costs include salaries and benefits increasing at 3% annually, and represent 3/4 year expense for initial year of hire for staff additions .