

MEMORANDUM

October 24, 2022

TO: Audit Committee

FROM: Blaise DeFazio, Senior Legislative Analyst ^{BD}
Office of Legislative Oversight

SUBJECT: Updates from the Office of the Inspector General (OIG) and the Office of Internal Audit (MCIA)

On October 27th, the Audit Committee will receive briefings from the Office of the Inspector General and the Office of Internal Audit about their ongoing activities and reports. The participants expected to attend the worksession and the location of the supporting materials for each item are listed below.

Topic/Representatives	Materials
Update from the Office of the Inspector General <ul style="list-style-type: none">• Megan Davey Limarzi, Inspector General	Pages 3-4
Update from the Office of Internal Audit <ul style="list-style-type: none">• William Broglie, Manager, Office of Internal Audit	Pages 5-6

Update from the Inspector General

Megan Davey Limarzi, Inspector General will update the Committee on the activities of the Office. Ms. Limarzi provided a memo on pages 3-4 that summarizes the OIG's recently completed engagements and its on-going engagements. OIG's current Work Plan and published reports are found on the OIG's website, at <http://www.montgomerycountymd.gov/OIG/igproduct.html>. Items of note include:

- The OIG issued five reports since the Audit Committee meeting on June 23rd:
 - Cross Cutting Trends from FY21 and FY22 OIG Engagements (23-001)
 - Disposal of Surplus Property Utilizing GovDeals.com (23-002)
 - Annual Report (23-003)
 - Performance Audit of Purchasing Card Usage at OMB (23-004)
 - Inventory Internal Controls Follow Up Review of ABS (23-005)

- The OIG currently has four announced engagements in progress:
 - Audit of the Department of Environmental Protection
 - Audit of the Office of Intergovernmental Relations
 - Emergency Procurement Practices
 - Accountability at Montgomery County Public Schools
- The OIG also has two anticipated engagements:
 - Oversight: Department of Police
 - Promoting Fiscal Accountability: Section G Non-Competitive Contracting Practices

Update from the Office of Internal Audit

William Broglie, Manager of the Office of Internal Audit, will update the Committee on the activities of the Office. Mr. Broglie provided a summary of the Office's recently released and ongoing audits on pages 5-6. Published reports for the Office of Internal Audit can be found at

https://www.montgomerycountymd.gov/exec/internal_audit.html. Items of note from the summary include:

- Three reports have been released since the Audit Committee meeting on June 23rd:
 - Targeted Internal Control Review: Cash Management Operations – Department of Transportation (MCIA-22-4)
 - Internal Control Review: Procure-to-Pay – Vendor Administration (MCIA-22-5)
 - Cash Management Targeted Internal Control Review – Department of Recreation (MCIA-22-6)
- The Office of Internal Audit has three ongoing reviews:
 - IT Governance Evaluation
 - Cash Management Internal Control Review – Police Department
 - Cash Management Operations – Alcohol Beverage Services



OFFICE OF THE INSPECTOR GENERAL

Megan Davey Limarzi, Esq.
Inspector General

October 20, 2022

Audit Committee
Montgomery County Council
100 Maryland Avenue
Rockville, Maryland 20850

Dear Committee members:

Please accept this summary of work completed by the Office of the Inspector General since the beginning of the fiscal year and its on-going engagements. The following projects were completed since July 1, 2022:

- October 19, 2022 – Inventory Internal Controls Follow Up Review of ABS, OIG Publication #23-005.
- October 7, 2022 – Performance Audit of Purchasing Card Usage at OMB, OIG Publication #23-004.
- September 1, 2022 – Annual Report, OIG Publication #23-003
- August 29, 2022 – Disposal of Surplus Property Utilizing GovDeals.com, OIG Publication #23-002.
- August 9, 2022 – Cross Cutting Trends from FY21 and FY22 OIG Engagements, OIG Publication #21-001.

The table on the attached document displays the status of FY22 and FY23 planned engagements as listed in the current work plan, [OIG Work Plan FY 22-25](#). We have also added an audit of the Office of Intergovernmental Relations, currently in the planning phase, to continue to pursue our mandate of auditing all principal offices in county government. Additionally, my office continues to receive and process complaints from residents and employees of Montgomery County. The information contained in this update does not include open investigations that we have undertaken as a result of those complaints.

Please contact me with any questions.

Sincerely,

Megan Davey Limarzi, Esq.

cc: Blaise DeFazio, Legislative Analyst

STATUS OF OIG WORK PLAN ITEMS FY 2022 & FY 2023

STRATEGIC AREA	COMPLETED	ON-GOING	ANTICIPATED
Oversight	<ul style="list-style-type: none"> • Montgomery County Public Libraries (Audit) • Department of General Services, Division of Fleet Management Services (Inspection) • Office of Consumer Protection (Review) • Compliance review of Department of Recreation seasonal employee background check process • Audit of the Office of Management and Budget 	<ul style="list-style-type: none"> • Audit of the Department of Environmental Protection • Audit of the Office of Intergovernmental Relations – Added since publication 	<ul style="list-style-type: none"> • Department of Police
Promoting Fiscal Accountability	N/A	<ul style="list-style-type: none"> • Emergency procurement practices • Accountability at Montgomery County Public Schools 	<ul style="list-style-type: none"> • Section G non-competitive contracting practices
Effectuating Positive Change	Follow-up review on implementation of corrective actions by the Department of Alcohol Beverage Services	N/A	N/A
Fighting Fraud, Waste, and Abuse	<ul style="list-style-type: none"> • Timely response to hotline complaints and allegations • Serve as a resource to residents • Provide investigatory assistance to the Ethics Commission • Engage in trainings and outreach opportunities 		

Office of the County Executive
Office of Internal Audit Status Report to the Audit Committee
October 27, 2022

Audit Reports Issued (since last Audit Committee meeting):

8/1/2022 Targeted Internal Control Review: Cash Management Operations – Department of Transportation (MCIA-22-4)

SUMMARY: The Montgomery County Office of Internal Audit (MCIA) conducted a targeted internal control review of the Montgomery County Government’s Department of Transportation’s Division of Parking Management (MCDOT Parking) cash management function. MCDOT Parking is responsible for receiving, processing, and depositing parking related transactions. It helps the County achieve its economic development and transportation management goals by creating and managing public parking in commercial areas, with fiscal year 2020 cash receipts of approximately \$8 million. While MCDOT Parking's cash management program includes functions and internal controls to mitigate fraud risks, opportunities exist to further strengthen controls, specifically in the following five areas: Segregation of duties related to cash management responsibilities; Formalized review procedures and improved documentation retention; Documentation for manual permit transactions; Retention of access management review documentation; Alignment with County cash management policies and procedures.

8/31/2022 Internal Control Review: Procure-to-Pay – Vendor Administration (MCIA-22-5)

SUMMARY: The Montgomery County Office of Internal Audit (MCIA) conducted a targeted internal control review of the Montgomery County Government’s vendor administration process. The County’s Accounts Payable Section within the Department of Finance is responsible for the vendor administration process which includes creating, maintaining, and inactivating the County’s current and future vendors. As of December 2021, the County had 49,684 active vendors. The County’s vendor administration process includes functions and internal controls, while operating with limited resources. The review identified five areas of improvement to strengthen internal controls, including: Increasing segregation of duties related to access rights and reviews; Enhancing system functionality within the County's ERP and vendor registration systems; Increasing Dun & Bradstreet reporting usage; Enhancing maintenance of documentation and ensuring consistent performance of vendor maintenance procedures; Performing consistent periodic ethics review procedures. This review completed the series of Procure-to-Pay reviews.

10/14/2022 Cash Management Targeted Internal Control Review - Department of Recreation (MCIA-22-6)

SUMMARY: The Montgomery County Office of Internal Audit (MCIA) conducted an internal control review of the County’s Department of Recreation’s cash management functions. Recreation helps the County by providing high quality, diverse, and accessible programs, services, and facilities that enhance the quality of life for all ages, cultures, and abilities. Recreation’s cash management function includes receiving, processing, and depositing recreation-related cash receipts, from such

transactions as pool passes and daily admissions, program classes, clinics, workshops, and facility rentals. In calendar year 2021, Recreation recorded approximately \$545,000 of cash receipts. While Recreation's cash management program includes functions and internal controls to mitigate fraud risks, opportunities exist to further strengthen controls, specifically in the following five areas: Enhanced segregation of duties related to cash management responsibilities; Enhanced formalized review procedures; Improved access management review documentation; Enhanced County cash management policies and procedures; and Improved physical cash security measures.

All issued reports are at http://www.montgomerycountymd.gov/exec/internal_audit.html

Ongoing Reviews

- **IT Governance Evaluation** – Evaluation of the implementation and effectiveness of the County’s IT governance processes, structures, policies, and procedures. STATUS: *Awarded 10/4/2022.*
- **Cash Management Internal Control Review – Police Department** - Testing of internal controls for cash management operations within Police Department’s towing operations. STATUS: *Awarded 9/22/2022.*
- **Cash Management Operations – Alcohol Beverage Services** – Initial evaluation and planning for internal control review of cash management operations at Alcohol Beverage Services. STATUS: *Awarded 9/13/2022.*

Progress on Implementing Recommendations

CUMULATIVE RECOMMENDATION TRACKING			
	Total Recommendations	Fully Implemented	Partially Implemented (In Progress)
MCIA Audits	558	494	64
Percent	63%	89%	11%
OIG Reports	264	245	19
Percent	30%	93%	7%
OLO Reports	70	46	24
Percent	8%	66%	34%
Total Recommendations	892	785	107
Percent	100%	88%	12%