

**Montgomery County, Maryland
Office of the County Executive
Office of Internal Audit**



**Program Assessment of the Water Quality Protection Charge
(WQPC) Program**

Department of Environmental Protection

January 5, 2016

Highlights

Why MCIA Did this Assessment

Property owners in the County are subject to the Montgomery County Code provisions regarding the Water Quality Protection Charge (WQPC) under the County's program to design and implement a watershed protection and restoration program. The Montgomery County Department of Environmental Protection (DEP) is responsible for implementation and administration of the WQPC program.

In April 2015, DEP requested that the Office of Internal Audit (MCIA) perform a WQPC program assessment of the WQPC program to identify potential improvements needed in the program, using the tax levy year of 2015 as the basis of the assessment. The assessment was conducted by the accounting firm SC&H, under a contract with MCIA.

What MCIA Recommends

MCIA is making nine recommendations to the DEP to strengthen its internal controls and improve overall performance related to the calculation and assessment of the County's WQPC.

January 2016

Assessment of the Water Quality Protection Charge Program

What MCIA Found

Based on information obtained throughout our assessment, it appears that the roles and responsibilities of the DEP employees, interns, and contractors assigned to perform work for the WQPC program are not adequately defined.

Further, the WQPC program does not appear to be properly staffed to allow for the appropriate segregation of duties necessary to assure an effective control environment.

We identified control deficiencies that can be attributed in part, at least, to the lack of proper staffing. These control deficiencies are related to:

- QA/QC Process Formalization and Documentation
- QA/QC Role Assignments
- Impervious Area File Updates
- WQPC Accuracy Validation
- Credits and Appeals Receipt, Tracking, and Processing
- Customer Service – Complaints Tracking

Finally, our testing identified four of 300 instances in which the properties were incorrectly categorized.

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Objectives

This report summarizes a program assessment performed by SC&H Group under contract with the Montgomery County (“County”) Office of Internal Audit (MCIA) to assess implementation and administration of the Water Quality Protection Charge (WQPC) program (“Program”) by the Montgomery County Department of Environmental Protection (DEP).¹ The assessment used tax levy year 2015 (i.e., the WQPC charges assessed July 1, 2015) as the basis of testing; and tax levy year 2013 or 2014 as the basis for testing associated with DEP’s processing of credits requested against the WQPC, appeals of the WQPC, and requests for exemptions from the WQPC. Tax levy year 2013 or 2014 was the most recently completed year of activity in these areas.

Specifically, we were engaged by the County to perform the following objectives:

- Evaluate whether the Program’s design and operation were consistent and compliant with Section 19-35 of the County Code (as revised by Montgomery County Bill 34-12, Stormwater Management – Water Quality Protection Charge) and Section 19.35.01 of COMCOR (as revised by Executive Regulations 17-12AM, 10-13, 8-14AM, and 16-14AM) in effect at the time the relevant WQPC charges were assessed, or adjustments were made to a property’s WQPC as a result of a credit, appeal, or hardship exemption.
- Determine if the Program incorporates appropriate internal controls (including separation of duties) and quality assurance (QA) approaches to ensure equitability, and to minimize errors and program risks.
- Assess whether the Program’s processes, internal operating procedures, and staff roles and responsibilities are clearly defined and appropriately documented.
- Consider whether the existing education/awareness strategy (as reflected in the WQPC website/portal) is designed to inform property owners about the program, how it operates, its benefits, and appeal/credit opportunities available, sufficient to minimize public confusion and promote awareness and understanding.
- Determine whether there are existing or future risks (e.g., accuracy/currency of data) that should be mitigated, and/or best practices from other localities’ websites that should be adopted, to support the success of the Program

This program assessment was performed in accordance with consulting standards established by the American Institute of Certified Public Accountants (AICPA) and generally accepted government auditing standards (GAGAS) established by the Government Accountability Office, as appropriate. SC&H Group’s proposed procedures were developed to meet the objectives stated above, and were reviewed and approved in advance by MCIA. The interviews, documentation review, and field work were conducted from June 2015 to September 2015.

¹The WQPC has been the subject of a legal challenge that has risen to the Maryland Court of Special Appeals (Chod vs. Montgomery County), and action by Montgomery County to enact the WQPC as an excise tax under the County’s taxing authority. This program assessment does not address these issues and, as noted above, is confined to DEP’s execution of the WQPC program in accordance with law and regulations governing the program during the period under review.

Background

Water Quality Protection Charge Program

Montgomery County Code Section 19-35 establishes the Water Quality Protection Charge (WQPC) for residential and non-residential property owners in Montgomery County. Section 19.35.01, WQPC Regulations, of the COMCOR defines the different property-types and tiers that properties will be sorted into based on different criteria (e.g. Non-Profit, Multi-Family Residential (MFR), Single Family Residential (SFR)). In addition, this section establishes that the WQPC for each property is based on an Equivalent Residential Unit (ERU). An ERU is the statistical median of the total horizontal impervious area of developed single family detached residences in the County. As of 2015, one ERU equals 2,406 square feet of impervious surface. Under County Code Section 19-35(c), each fiscal year the County Council must, by resolution, set the rate or rates for the WQPC. Resolution 17-1090 indicates the County Council approved the base rate for the WQPC for Fiscal Year 2015 (July 1, 2014 – June 31, 2015) to be \$88.40 per ERU. This resolution took effect on July 1, 2014. The County Council passed, on April 16, 2013, and the County Executive signed on April 24, 2013 2004, Bill 34-12², relating to Stormwater Management – Water Quality Protection Charge (WQPC) pertaining to Montgomery County property owners. Under this bill, the Director of Finance must annually impose and collect a WQPC in the same manner as County real property taxes on each residential and nonresidential property owner.

The following table details the WQPC amount effective for the time period under review.

Table 1 – WQPC Rate

WQPC Rate		
Equivalent Residential Unit (ERU)	Square Feet of Impervious Surface	Base Rate assessed per 1 ERU
1 ERU	2,406 sq. ft.	\$88.40

The following table details the property-types and related charges, for which a property owner is levied under the WQPC for fiscal year 2015.

Table 2 – Property Classifications and Applicable WQPC Rates

Property Type	Impervious Square Footage	WQPC	WQPC Rate
Agricultural	Based only on the house impervious square feet	Based on percentage of the base rate for 1 ERU in accordance with the applicable	\$29.17 - \$265.20
Non-Profit Tier 1	Less than or equal to 6,910 square feet	Square Feet divided by 2,406 multiplied by \$88.40 with a cap amount of 150% of 1 ERU	\$132.60 Maximum

² <http://www.montgomerycountymd.gov/COUNCIL/Resources/Files/bill/2012/34-12.htm>

Property Type	Impervious Square Footage	WQPC	WQPC Rate
Non-Profit Tier 2	6,911 – 54,455 square feet	Square Feet divided by 2,406 multiplied by \$88.40 with a cap amount of 900% of 1 ERU	\$795.60 Maximum
Non-Profit Tier 3	Greater than 54,455 square feet	Square Feet divided by 2,406 multiplied by \$88.40 with a cap amount of 2,300% of 1 ERU	\$2,033.20 Maximum
MFR	Square Feet divided by 2,406	Multiply Quotient by \$88.40	Various
Non-Residential	Square Feet divided by 2,406	Multiply Quotient by \$88.40	Various
SFR Tier 1	Less than or equal to 1,000 square feet	33% of 1 ERU	\$29.17
SFR Tier 2	1,001 – 1,410 square feet	50% of 1 ERU	\$44.20
SFR Tier 3	1,411 – 3,412 square feet	100% of 1 ERU	\$88.40
SFR Tier 4	3,413 – 3,810 square feet	150% of 1 ERU	\$132.60
SFR Tier 5	3,811 – 5,815 square feet	200% of 1 ERU	\$176.80
SFR Tier 6	5,816 – 6,215 square feet	250% of 1 ERU	\$221.00
SFR Tier 7	Greater than 6,215 square feet	300% of 1 ERU	\$265.20

Authorized Adjustments to the WQPC

COMCOR authorizes potential adjustments to a property's WQPC as a result of a credit for providing stormwater management services; an exemption due to financial hardship; or an appeal of the information that is the basis of the charge. The sections below outline the regulations governing these adjustments as described in COMCOR at the time the credits, exemption requests, and appeals that were examined by SC&H were processed.

Credits

The DEP Director ("Director") must award a maximum credit of 50% of the WQPC assessed for a property, based on the volume of water treated by a combination of environmental site design and other stormwater management systems, or a maximum of 80%, based on the volume of water completely treated by environmental site design practices alone, as specified in the application provided to a non-residential or multi-family residential property owner if the property contains a County approved stormwater management system and the system is maintained in accordance with DEP's maintenance requirements. A property must be credited for treatment of off-site drainage from other properties located within the same drainage area as that property. A property that does not contain a stormwater management system must be credited if located

within the same drainage area as another property that contains a stormwater management system if both properties have the same owner. However, a property owner may not receive a credit based on a calculation that exceeds the total impervious area on the property for which the credit is issued.

The Director must award a maximum credit of 80% of the assessed WQPC based on the volume of water treated as specified in the application provided by the DEP to the owner of a single family residential property if the property contains a County approved stormwater management system and the system is maintained in accordance with DEP's maintenance requirements.

To receive the credit, the property owner must apply to the Director in a form prescribed by the Director no later than October 31³ of the year before payment of the WQPC is due. Once approved, the credit is valid for three years. To renew the credit, the property owner must reapply to the Director in a form prescribed by the Director no later than October 31 of the year before payment of the WQPC is due.

If the Director denies the credit, the property owner may seek reconsideration of the Director's decision by submitting a written request for reconsideration with supporting reasons to the Director within 10 days after the date of the Director's written decision. If the Director does not approve the request for reconsideration, the property owner may appeal the Director's final decision within 10 days after the Director issues that decision as provided in Chapter 2A, Article I, of the County Code.

Requests for Exemption

Before paying the WQPC, the owner of residential property that is owner-occupied, or a non-profit organization that owns property subject to the WQPC, may apply for a financial hardship exemption from the WQPC by submitting a written request to the Director in a form prescribed by the Director no later than April 1⁴ of the year when payment of the WQPC is due.

To qualify for the exemption, the request submitted by an owner-occupant of residential property must be accompanied by a copy of the owner-occupant's income tax returns indicating that the property owner's gross household income did not exceed 170% of the poverty guidelines published by the United States Department of Health and Human Services for the year before payment of the WQPC is due or verification that the property owner meets eligibility criteria for receiving benefits under the Maryland Energy Assistance Program for the year that payment of the WQPC is due.

The request submitted by a non-profit organization must be accompanied by the organization's most recent federal tax return or other verification of total revenues derived from the property for which the exemption is sought, as required by the Director of Finance. To qualify for a partial exemption: (i) the amount of the WQPC must exceed 0.2% of the organization's total revenues from the property for which the exemption is sought for the year before payment of the WQPC is due; and (ii) the property for which the exemption is sought must be exempt from real property ad valorem taxation under state law. The amount of the partial exemption is the amount of the WQPC that exceeds 0.2% of the non-profit organization's total revenues derived from the property.

³ For the samples of credit applications and hardship exemption applications, the deadline in effect during the scope of our review was October 31 of each year. The deadline has since been changed to September 30 of each year.

⁴ This deadline has since been changed, pursuant to Regulation 16-14AM, to September 30 of each year.

The Director of Finance must issue a written decision to grant or deny the exemption within 30 days after receiving the request. Any exemption granted is only valid for the year that payment of the WQPC is due.

If the Director of Finance denies the exemption, the property owner may seek reconsideration of the Finance Director's decision by submitting a written request for reconsideration with supporting reasons to the Finance Director within 10 days after the date of the Finance Director's written decision. If the Director of Finance does not approve the request for reconsideration, the property owner may appeal the Finance Director's final decision within 10 days after the Finance Director issues that decision as provided in Chapter 2A, Article I, of the County Code.

Appeals

A property owner may request a review and adjustment of the WQPC by petitioning the DEP Director in writing, no later than September 30 of the year that payment of the WQPC is due if the property owner believes that the WQPC has been assigned or calculated incorrectly.

When submitting a petition for review of the WQPC, the property owner must include a detailed statement of the basis for the petition and documents supporting the property owner's assertion that the property should be assigned to a different classification, the impervious area measurements used to calculate the ERUs for the property are incorrect, or the property is not subject to the WQPC under applicable law.

Within 60 days after receiving the petition, the Director must review the WQPC assigned to the property and make a written determination of whether the property owner's request for an adjustment of the WQPC should be granted or denied. The Director may request additional information from the property owner that the Director reasonably believes will help the Director decide whether the property owner is entitled to an adjustment.

If the Director concludes that the WQPC was levied by mistake or resulted from inaccurate computation, the Director must submit the corrected data to the Department of Finance with a request for an adjustment to the property owner's bill. After receiving the request, Finance must make an appropriate adjustment based on the new data submitted by the Director and refund any overpayment to the property owner.

If the Director concludes that some or all of the requested adjustment should be denied, the property owner may seek reconsideration by submitting a written request for reconsideration with supporting reasons to the Director within 10 days after the date of the written decision.

If the Director does not approve the request for reconsideration, the property owner may appeal the final decision within 10 days after the final decision as provided in Chapter 2A, Article I, of the County Code. The County Board of Appeals is the designated authority charged with hearing and deciding all appeals resulting from the Director's final decision to deny any relief requested under this regulation.

Scope and Methodology

WQPC Compliance Scope and Methodology

At the request of the County, we reviewed the DEP's implementation and administration of the WQPC program for the tax levy years 2013 – 2015 depending on the area of the process being examined. We requested that the DEP provide us with the population of WQPC amounts for

every property account in Montgomery County for the 2015 tax levy year. We selected and reviewed a sample that represented property accounts for each property type and tier: Agricultural; Non-Profit; Non-Residential; Multi-Family Residential; Residential Single-Family Attached; and Single-Family Detached (tiers one through seven). We also requested that the DEP provide us with the population of WQPC appeal applications and hardship waivers for Montgomery County property owners for the 2014⁵ tax levy year. We then reviewed a sample of appeals and 100% of hardship waivers submitted by property owners for the tax levy year of 2014. Further, we requested that the DEP provide us with the population of WQPC credit applications for Montgomery County property owners for the 2013⁶ tax levy year and we reviewed a sample of credits submitted related to the 2013 tax levy year.

Property Owner Population

To evaluate DEP's practices, and its compliance with the Section 19-35 of the County Code, we first conducted interviews with members of DEP management to gain an understanding of the impervious area creation process, tax file creation process, the quality assurance/quality control process, and the updating and information on the Montgomery County website regarding the WQPC. We also requested the 2015 impervious area file, and the 2015 WQPC file created by WQPC personnel and submitted to the Department of Finance for inclusion of the WQPC on the property tax bills sent to property owners. Based on the files that we received, our population consisted of a total of 332,154 impervious area accounts and 338,232 tax file accounts⁷.

In addition, we obtained all of the hardship exemption applications for the tax levy year 2014, which equaled four applications. We also obtained the tax levy year 2014 population of appeal applications, which totaled 105 appeals. Finally, we obtained the tax levy year 2013 population of credit applications, which totaled 123 credit applications.

The following table provides details regarding the information that we requested and received relevant to our detailed testing of the WQPC, and the associated Appeals, Credit Applications, and Hardship Waiver Applications.

Table 3 – Documents and Information Requested

Documentation and/or Information Requested	Document and/or Information Received	Comments
Levy year 2015 Impervious Area File	Received	Created by WQPC personnel.
Levy year 2015 WQPC File	Received	Created by WQPC personnel and sent to Department of Finance.

⁵ The 2014 tax levy year was used for the appeals and hardship testing because this is the most recent year that has been completed. The deadline to apply for appeals and hardships for the 2015 tax levy year has not passed yet.

⁶ The 2013 tax levy year was used for the credits. The credits applied for in 2014 were being processed and applied in 2015. The deadline to apply for appeals and hardships for the 2015 tax levy year has not passed yet. As such, the 2013 tax levy year was the most recent year in which the credit process has been completed.

⁷ Based on information obtained from the WQPC Program Manager, the difference in the number of impervious area and tax accounts is due to the fact DEP establishes a static impervious property layer in order to calculate the WQPC for each property and updates to tax accounts are made on a continuous basis.

Documentation and/or Information Requested	Document and/or Information Received	Comments
Levy year 2015 WQPC Account Records	Received	Available online through Montgomery County website.
Levy year 2015 SDAT Records	Received	Available online through Maryland Department of Assessments and Taxation website.
Levy year 2014 Appeal applications and supporting documentation	Received	Obtained records of all appeal applications, decisions, and supporting documentation saved on the DEP's server used to retain correspondence. Because the files were manually maintained on the DEP server, it was not possible to verify the completeness of the population or to determine whether there may have been additional appeals that were not maintained on the server, or were not otherwise provided.
Levy year 2014 Hardship Exemption Applications	Received	Obtained applications and Department of Finance responses for all hardship exemptions.
Levy year 2013 Credit applications and supporting documentation	Received	Obtained records of all credit applications, decisions, and supporting documentation saved on the DEP's server used to retain correspondence. Because the files were manually maintained on the DEP server, it was not possible to verify the completeness of the population or to determine whether there may have been additional appeals that were not maintained on the server, or were not otherwise provided.

Testing

To evaluate whether the WQPC program's design and operation are consistent and compliant with Section 19-35 of the County Code, and to determine if the WQPC program incorporates appropriate internal controls to minimize errors and program risks, we performed detailed testing on a sample of 300 property owner accounts, divided among each of the property types listed in Table 2 above.

We also performed detailed testing around the hardship applications, credit applications, and appeals associated with the WQPC program.

WQPC Testing

In order to determine whether the DEP properly assessed the WQPC for property owners in Montgomery County, we compared the three categories of impervious areas that are combined to form the basis for the WQPC: "Building area", "Driveway/Parking area", and "Other Impervious area", per the 2015 Impervious Area File to the WQPC account record located on

the County's WQPC website. In addition, we ensured that the "WQPC Amount" listed on the account record agreed to the "Amount as Dollars" amount per the 2015 WQPC File. For testing purposes, we calculated the WQPC Amount per the current WQPC calculation guidance and compared this amount to the WQPC amount listed on the property account record per the County's WQPC website, to ensure that the amount was properly calculated. Finally, we verified that the Property Type per the 2015 WQPC File and account record online was accurate based on property information provided through the Maryland State Department of Assessments and Taxation (SDAT) website.

Each instance where the information in the 2015 Impervious Area File and/or 2015 WQPC File did not agree to the WQPC Account Record obtained online or the SDAT information was considered an exception. It should be noted that the active billing period is between July 1 and December 31, and it is a normal process to review and if necessary to revise bills during this period.

In order to calculate the amount of the WQPC for each type of property owner, we first confirmed the reasonableness of the impervious area identified and marked by the DEP personnel on the property, then used the corresponding Tier classification percentage rate established by Section 19-35 of the County's regulatory code and updated through subsequent revisions. The tier provided a factor that was then multiplied by the Base rate of one ERU to determine the properly-calculated WQPC (rounded to the nearest cent).

The calculation was slightly different as it was applied to Non-Residential and Multi-Family Residential properties in that the total square footage of the impervious area for those properties was divided by 2,406 (1 ERU) in order to determine how many ERUs the property's impervious area equated to. The resulting number of ERUs was multiplied by the Base Rate to determine the calculated WQPC (rounded to the nearest cent).

Also, the calculated WQPC for Multi-Family Residences is split proportionately between all properties that together make up the Multi-Family Residential property.

Example (Agricultural):

Impervious Area (House only)		2,000 sq. ft.
		1,410 < 2,000 < 3,412
SFR Tier 3 Classification %		100%
Base Rate	X	\$88.40
Calculated WQPC	=	\$88.40

Note Agricultural properties are only charged based on the impervious area of the house and use the SFR Tier structure to determine the percentage to apply to the Base Rate.

Example (Non-Profit):

Impervious Area		7,500 sq. ft.
		6,910 < 7,500 < 54,455
NP Tier 2 Classification %		Up to 900%
1 ERU	/	2,406 sq. ft.
# of ERUs	=	3.12
Base Rate	X	\$88.40
Calculated WQPC	=	\$275.81

Note that this process is followed for all NP Tiers; however, the square footage determines the Tier and thus percentage to apply to the Base Rate.

Example (NR, MFR, RSFA):

Impervious Area		100,000 sq. ft.
1 ERU	/	2,406 sq. ft.
# of ERUs	=	41.563
Base Rate	X	\$88.40
Calculated WQPC	=	\$3,674.15

Example (SFR):

Impervious Area		3,600 sq. ft.
3,412 < 3,600 < 3,810		
SFR Tier 4 Classification %		150%
Base Rate	X	\$88.40
Calculated WQPC	=	\$132.60

Note that this process is followed for all SFR Tiers; however, the square footage determines the Tier and thus percentage to apply to the Base Rate.

Hardship Testing

We also reviewed the hardship applications and subsequent responses provided back to property owners by the Department of Finance related to the 2014 levy year. We ensured that the hardship applications were completed and signed by the applicant, indicating the applicant's household gross income was below the criteria to receive the hardship exemption. Further, we verified that the application was submitted and received no later than April 1, 2014. We also obtained the County's written decision to grant or deny the exemption for each hardship, noting that each letter granted the hardship exemption. We verified that each letter was issued to the applicant within 30 days as prescribed by the County's WQPC regulations. Further, in order to verify that the exemption was granted by the Director of Finance, SC&H reviewed the account record online to ensure that the WQPC amount on the tax bill was reduced to zero for the 2014 tax levy year.

Appeals Testing

As part of our testing, we reviewed a sample of appeal applications, along with the property owner-provided support, and the subsequent responses made by the Director, selected from the population of appeals submitted for the 2014 levy year. We ensured that for each selection, the appeal application was completed and submitted prior to September 1, 2014 as prescribed by Section 19-35 of COMCOR. In addition, we verified that the applicant included in their application a statement for the basis of the appeal along with supporting documentation for the appeal. Further, we reviewed the decision to grant or deny the appeal that was made by the Director, and the basis for their decision, and also ensured that the decision was made within the 60 day threshold prescribed by Section 19-35 of COMCOR. Finally, if the appeal was granted, we verified that the WQPC amount on the applicant's account was decreased in an amount that corresponded with the appeal decision, through a review of the account record on the WQPC website.

Credits Testing

We selected a sample of 15 credit applications (representing approximately 12% of the population) from across each of the property classification tiers for which applications were available, and reviewed the corresponding supporting documentation related to the 2013 levy year to ensure that property owners included a completed and signed application, along with the related tax bill and photo evidence, to prove that the requested credit was warranted. In addition, we verified that the WQPC amount after the credit (per the Credit spreadsheet provided) had been approved, tied and agreed to the WQPC per the property owner tax bill for the levy year on the WQPC website.

WQPC Website Analysis

In order to determine whether or not the existing education/awareness strategy of the DEP is designed to inform property owners about the WQPC program, how it operates, its benefits, and appeal/credit opportunities available, we performed a review of the County's WQPC website that also included a detailed comparison to the websites maintained by other entities for similar stormwater programs.

To determine whether the County's website provides property owners with clear, consistent, and accurate information, we first assessed the functionality of the County's WQPC website by confirming that a) each of the links provided throughout the website worked and took property owners to the described destination page, b) each webpage provided property owners with the information for which the page was designed, and c) the information appeared to be complete, accurate, and sufficient to minimize public confusion and promote awareness and understanding.

To try and identify opportunities for the County to adopt "best practices" regarding the information and functionality incorporated into the stormwater-related websites maintained by other entities, we selected a sample of 18 other entities that have implemented a fee similar to the County's WQPC and compared them in an Entity Comparison Chart. We reviewed each entity's website based on the following 10 characteristics:

- Is the entity's program described accurately and clearly to the property owner?
- Does the entity inform the property owner of how to calculate an ERU (or comparable unit of measurement) and/or their respective Charge amount?
- Does the entity inform the property owner of how the program operates?
- Does the entity inform the property owner of the program's benefits?
- Does the entity inform the property owner of the appeal opportunities?
- Does the entity inform the property owner of the credit opportunities?
- Does the entity inform the property owner of the hardship exemption opportunities?
- Does the entity provide the property owner the ability to review their property, including the impervious area, online?
- Does the entity allow the property owner to view and pay their bill online?
- Does the entity provide educational, instructive and/or informative documentation to the property owner about practices in order to decrease stormwater runoff and thus decrease their bill?

We then gave each criterion a rating of "Yes" or "No" with additional comments if necessary. We also verified all links within the entity's website to ensure that they functioned properly and sent the user to the appropriate webpage. Finally, we added any additional comments or issues with

each site to ensure that we completed a thorough examination of the County's website and also each of the other entities' online presence regarding their comparable WQPC program.

Process Documentation

To assess whether the WQPC program's processes, internal operating procedures, and staff roles and responsibilities are clearly defined and appropriately documented, obtained and reviewed process documents provided by the DEP that included:

- WQPC 2.0 Internal Application Users Guide – Parts 1 and 2
- WQPC 2.0 Administrators Guide
- WQPC 2.0 Application Functional Requirements and Use Cases
- WQPC 2.0 Final Database Entity Relationship Diagram – 11/1/13
- WQPC Data Processing Process (flowchart) 2014
- DEP WQPC GIS Data Mgmt and Data Processing – Spring 2013

The goals of reviewing each of the documents was to a) determine whether the processes were defined sufficiently to efficiently and effectively achieve the goals of the WQPC program, and b) assess whether the roles and responsibilities of each of the DEP personnel assigned to perform activities associated with the WQPC program were sufficiently defined and documented to allow for a clear understanding of the tasks, activities, and expectations assigned to each individual.

Internal Controls Analysis

To determine if the WQPC program incorporates appropriate internal controls we also created a Risk and Control Matrix to determine if the program incorporates the appropriate internal controls, including the proper segregation of duties. We identified the risks inherent within each of the processes, and determined whether or not a control was implemented that addressed or otherwise mitigated each risk. We defined the control objective and the currently implemented control, as well as the type of coverage that the control was performing (e.g. segregation of duties). These controls were also noted in the process narratives that were developed following the information-gathering meetings that we conducted with DEP personnel such as the WQPC Program Manager, the Geographic Information System (GIS) Specialist, and the DEP IT staff.

If a risk was present but no control was in place to address or mitigate that risk, a gap was noted. These gaps were listed on the Gap Log, which described what was observed or identified through the discussions that we had with DEP personnel involved in the WQPC program, the impact of the gap, and a recommendation to address and mitigate the risk. These items were subsequently included in the below Findings and Recommendations section of the report.

Findings and Recommendations

This section contains the results of the work that we performed throughout the review. For additional details regarding each of the findings that we identified, along with the associated risks and our recommendations to the DEP for remediating each risk, please reference Table 8 beginning on page 21 below.

WQPC Testing

During our detailed testing of a sample of 300 WQPC accounts spread across each different property tier, we found 49 instances in which the WQPC was inaccurately calculated, as well as

4 instances in which the properties were incorrectly categorized. As a result of this testing, we also learned that the WQPC calculation was impacted for approximately 25,000 (out of 332,154 accounts) due to a discrepancy in some instances between the impervious area and property type information captured in a “Phase-In” table used to incrementally increase customer WQPC charges over a three-year period, and the updated GIS data that made available for use in the WQPC program for 2015.

WQPC “Phase In” Table and Updated GIS Information

Based on discussions with the WQPC Program Manager, Bill 34-12 phased in over a 3 year period any increases in the Charge between the 2012 and 2013 tax years. This created a “phase-in” table that identified 152,379 property accounts whose impervious surface area was subject to a phase-in over a 3 year period beginning with levy year 2013 (July 1, 2013). The increases in WQPC impervious surface measurement were “phased in” over a period of three years: In 2013, 1/3 of the increase amount was added to the customers’ WQPC impervious surface measurement. In 2014, 2/3 of the amount of the increased impervious surface measurement was added to the customers’ WQPC charges. In 2015, the full amount of the increased impervious surface measurement was added to the customers’ WQPC charges. [See Bill 34-12 § Sec. 2, *Implementation; effective date* (b).]

For the 2015 tax year, the WQPC group received its normal bi-annual update to the GIS records used to identify the property types and calculate the Impervious Area of all properties. For approximately 25,000 accounts that were part of the aforementioned Phase-In, the new GIS file contained property type or impervious area changes (both increases and decreases). As designed, the WQPC software continued to utilize the Phase-In table to calculate the WQPC charges for the included accounts, rather than update the WQPC charges based on the new GIS information. Table 4 shows the breakout of how the approximately 25,000 accounts were initially impacted by the continued use of the Phase-In table, rather than the updated GIS information:

Table 4 – Phase-In Accounts Versus Updated 2015 GIS Information

Impact of Updated GIS Information	Number of Affected Accounts
The WQPC charge per the Phase-In table was greater than the WQPC charge that resulted from the updated GIS information	782
The WQPC charge per the Phase-In table was less than the WQPC charge that resulted from the updated GIS information	366
The accounts contained updated GIS information that did not affect the WQPC charge per the Phase-In table	Approximately 23,900

This issue was first identified in July 2015 when a customer called in with a question regarding a WQPC account. The decision was made to use the WQPC calculation based on the source data (whether calculated using the Phase-In tables or the new GIS data) that would result in the

lower WQPC charge for each account. This means that for the 782 accounts for which the WQPC charge per the Phase-In table was greater than the WQPC charge that resulted from the updated GIS information, the information from the updated GIS information was used to calculate the customers' WQPC charges. Conversely, for the 366 accounts for which WQPC charge per the Phase-In table was less than the WQPC charge that resulted from the updated GIS information, the information from the original Phase-In table was used to calculate the customers' WQPC charges. The remaining approximately 23,900 accounts for which the updated GIS information did not affect the WQPC charge per the Phase-In table utilized the original Phase-In table to calculate the customers' WQPC charges.

In August, revised bills were sent out to affected customers whose WQPC charges would be decreased, and also to the 782 customers whose Agricultural properties were incorrectly classified as Single Family Residence properties. As the County's taxes are divided between two bill cycles per year, and the error occurred during the first bill cycle where tax payments are initially allocated to State and County property taxes, there were no instances in which customers overpaid for the WQPC and would have been due a refund.

Through our initial testing, we identified 49 instances from our sample in which the amount calculated per the May 2015 WQPC File "Amount as Dollars" did not agree to the Account Record "WQPC Amount" that was reflected on the final tax bill as of 7/21/2015 which property owners received. Table 5 shows that the 49 instances can be broken down as follows:

Table 5 – Detailed Testing Observations Related to the Phase-In Variances

Property Classification	Number of Variances	Total Absolute Dollar Amount of Variances
Agricultural	1	\$88.40
Non-Profit	1	\$125.95
Non-Residential	6	\$3,649.84
Multi-Family Residential	9	\$658.78
Residential Single Family Attached	1	\$44.20
Single Family Residential – Tier 2	1	\$44.20
Single Family Residential – Tier 4	5	\$221.00
Single Family Residential – Tier 5	6	\$530.40
Single Family Residential – Tier 6	14	\$707.20
Single Family Residential – Tier 7	5	\$397.80
Total	49	\$6,467.77

The WQPC Program Manager noted that this issue was identified because the May file was generated during the open billing period when these and other issues are normally identified and corrected as part of the routine QAQC process. As a result, these 49 records we identified was not part of the final July billing and did not result in any customers overpaying for the WQPC charge. Each affected account was corrected and revised bills were sent to customers, as applicable.

Hardship Applications, Credit Applications, and Appeals Testing

We noted that there is no tracking system or log of all applications for credits and appeals maintained to verify that all instances are indeed processed timely and maintained. As such, we were unable to validate the completeness of the populations of credits and appeals. As the Manager maintains records of closed and ongoing credits and appeals on the department's shared server, we were only able to obtain the documentation that had been stored on the department's shared server.

The credit and appeal application forms indicate that the current tax bill and photos/evidence need to be included with submission of the application. The WQPC personnel are able to pull up property owners' tax bills if not included; however, we noted evidence to support a credit or appeal was not present in the documentation and it was still granted to the property owner. As such, the process to grant credits and appeals to property owners does not appear to be formalized or follow a standard set of procedures.

Further, it appears that credit applications, appeals, and property owner complaints are sometimes received directly by the WQPC Program Manager through direct communication between the property owner and the Manager as opposed to property owners utilizing the Montgomery County 311 hotline, or another system designed to allow for complete, accurate, and transparent tracking of these issues and requests. Such a system would be able to track the volume and type of WQPC questions that property owners have as well as ensure all issues are brought to the attention of the WQPC Program Manager in a more formalized manner. As a result, this would assure that all property owner issues are received and tracked through completion, and it would also allow for increased efficiency, as the WQPC Program Manager would not have to rely on a manual process for tracking customer issues.

Overall, our testing found that the Hardship Applications, Credit Applications, and Appeals that we selected for our testing were processed timely, and decisions made by the Director resulting in reductions to the WQPC amounts were applied to customer accounts accurately.

In regard to the appeals, we conducted a trend analysis related to the reason given for each appeal for which property owners applied during the 2014 levy year. We noted that there were a total of 103 appeal files manually tracked using an electronic file color coding system that is stored on the department's shared server drive. Of the 103 total files, the reasons for the appeals were separated into 11 different appeal categories. See the table and pie chart below:

Table 6 –2014 Tax Levy Year Appeals

Reason for Appeal	Number of Instances	Percentage of Instances
Contiguous / Consolidate Properties	27	26.2%
Impervious Area Dispute	23	22.3%
Late Appeal Submission	18	17.4%
Incorrect Property Type – Agriculture	13	12.6%
Runoff Dispute	7	6.8%
Incorrect Property Type – Other	5	4.9%
Property Boundary Dispute	5	4.9%
Easement	2	1.9%
Phase-In Dispute	1	1.0%
Wave Late Fee Inquiry	1	1.0%
Owner Should Not Pay	1	1.0%
Total	103	100.0%

WQPC Website Analysis

As noted in the Testing section above, we performed a detailed assessment of the functionality of the County's WQPC website, and also a thorough comparison between the County's WQPC website and the websites maintained by 18 other entities that also assessed impervious area taxes/stormwater fees similar to the WQPC. Based on the analysis that we performed, the Montgomery County WQPC website appears to be comparatively robust, informative, and well-designed for its intended purposes. We found that the website seems to be designed in such a

way that minimizes public confusion and promotes awareness and understanding of the WQPC program. We also confirmed that the website works as designed in each instance, finding no “broken” misdirected links.

In comparison to the programs and websites offered by each of the 18 other entities that we included in our review, we found that the County’s property owners have access to more informative and instructive material than their peers regarding the WQPC program, the calculation and assessment of the WQPC, and additional educational content related to the reclamation and reuse of stormwater. Table 7 provides additional information related to the specific results of the comparative analysis that we performed.

Table 7 – WQPC Website Analysis Results

	The County's WQPC Program	Results of Peer Analysis
The program is described accurately and clearly?	Yes	14 - Yes 2 - Somewhat Helpful 2 - No
The website explains how to calculate ERU assignments and charges?	Yes	14 - Yes 1 - Somewhat Helpful 3 - No
The website explains how the program operates?	Yes	14 - Yes 4 - Somewhat Helpful
The website explains the program benefits?	Yes	11 - Yes 4 - Somewhat Helpful 3 - No
The website provides Appeal opportunities?	Yes	12 - Yes 5 - No 1 - Only provided customer service phone number
The website provides Credit opportunities?	Yes	16 - Yes 2 - No
The website provides Hardship exemptions?	Yes	5 - Yes 13 - No
The website provides the ability to review property online?	Yes	5 - Yes 2 - Somewhat Helpful 11 - No
Pay bill online?	Yes	13 - Yes 5 - No
The website provides the ability to view bill online?	Yes	7 - Yes 9 - No 2 - Unknown
The website provides the ability to view impervious area/property area online	Yes	5 - Yes 2 - Somewhat 11 - No
The website provides information / tutorials about receiving credits or implementing practices to decrease runoff	Yes	Information / Tutorials offered varied greatly across each of the websites that we reviewed.

Please refer to Appendix C for the full results of the detailed analysis that we performed.

Process Documentation

As stated above, the goals of reviewing the process documents provided by the DEP were to a) determine whether the processes were defined sufficiently to efficiently and effectively achieve the goals of the WQPC program, and b) assess whether the roles and responsibilities of each of the DEP personnel assigned to perform activities associated with the WQPC program were sufficiently defined and documented to allow for a clear understanding of the tasks, activities, and expectations assigned to each individual. Based on the information we conclude that while each of the steps included within the WQPC-related process documents are thorough and detailed, and provide the information necessary for the performance of the activities associated with the WQPC program, the roles and responsibilities of the personnel tasked to perform the steps are not defined adequately.

WQPC Roles and Responsibilities

As part of our assessment, we evaluated the current resourcing model used to staff the WQPC program, and the delineation of duties among each of the assigned individuals. What we found was that tasks were often assigned out of necessity, rather than allocated based on a defined segregation of roles and responsibilities. WQPC personnel often trade off the updating of WQPC account information, and the reviewing/approving of the updates, based on availability and workload. Additionally, the amount of work to be performed, and the workload of the assigned WQPC personnel, has also contributed to an environment where more emphasis is placed on “getting the work done”, and less importance is placed on assuring that all of duties associated with administering and managing the WQPC program have been adequately segregated.

Based on our discussions with the WQPC Program Manager and other DEP staff with roles related to WQPC, there are no employees that are dedicated specifically to the WQPC program. For each of the individuals that perform work on the WQPC program, the WQPC program is an additional or secondary role that they fill, in addition to their other DEP responsibilities. In addition to utilizing interns to perform WQPC account maintenance functions like updating the impervious areas for customer properties, the primary WQPC roles are filled by individuals from within DEP that also perform additional key responsibilities, such as:

- The WQPC Program Manager is also the IT Manager for the DEP, supervising three senior-level contractors and three internal staff, and is responsible for: all desktop and hardware support, internal and external application development and maintenance, GIS Support, and the full systems development lifecycle for new projects (including mobile/smartphone applications).
- The IT Contractor responsible for WQPC systems support is also responsible for all DEP systems support and internal system development – such as a project to consolidate all environmental compliance programs into one interface. It is estimated that WQPC systems support comprises approximately 20% of the IT Contractor’s workload.
- The WQPC program’s GIS Specialist is also responsible for the DEP’s GIS activities related to the Stormwater Facility Maintenance program, which manages the inspection and maintenance of stormwater facilities, and includes a project to convert paper-based information gathering and retention to an online documentation program. It is estimated that WQPC GIS support and other related activities comprise approximately 90% of the

GIS Specialist's workload during the months of January through May, and additional time throughout the other months, as needed to assist in the intake of approximately 300 customer calls, and the investigation, resolution, and documentation of appeals, credit applications, and hardship applications.

Based on the number of accounts and the amount of work that has to be performed related to the WQPC program – both during the initial WQPC preparation period, and after as updates are made, customer calls and correspondence are handled, and appeals, credits, and hardships are considered – it appears as though the WQPC program is a full time, year round, program for the County; however, performing the tasks associated with the WQPC program remains a collaborative “all hands on deck” effort between DEP employees, interns and contractors to complete in addition to the other roles that they fill within the DEP. In an effort to complete all of the activities associated with the administration and management of the WQPC program, the WQPC personnel must often trade off responsibilities to enter the account information updates, review, approve, and/or QA/QC the changes made to the WQPC customer accounts. Within the context of the effort required by each individual to complete the work, the importance of properly documenting all of the work that is performed to the individual customer accounts seems to have been minimized. See Table 08 beginning on page 21 below for more information.

Internal Controls Analysis

Based on the discussions that took place with DEP staff, and the concurrent review of the existing WQPC-related process documents that we performed, we noted that staff roles and responsibilities are not adequately defined. Further, we found that current methodology for staffing the WQPC program (i.e. adding WQPC-related tasks to the responsibilities of existing DEP personnel) does not appear to be adequate to ensure the proper control environment needed to effectively administer the WQPC program. We identified control deficiencies that can be attributed in part, at least, to the lack of proper staffing. These control deficiencies are related to:

- WQPC Roles and Responsibilities
- QA/QC Process Formalization and Documentation
- QA/QC Role Assignments
- Impervious Area File Updates
- WQPC Accuracy Validation
- Credits and Appeals Receipt, Tracking, and Processing
- Customer Service – Complaints Tracking

Table 8 beginning on page 21 below lists the observations that we noted throughout our review and also includes our recommendations to the DEP.

Table 8 – WQPC Findings and Recommendations

Risk Assessment Area	Current Observation	Risk	Recommendation																																				
<p>1. WQPC – Account Record Accuracy</p>	<p>In 49 of 300 total samples reviewed, the amount calculated per the 2015 WQPC File “Amount as Dollars” did not agree to the Account Record “WQPC Amount” as of 7/21/2015.</p> <p>The 49 samples can be broken out as follows:</p> <table border="1" data-bbox="405 532 1016 1036"> <thead> <tr> <th>Property Classification</th> <th>Number of Variances</th> <th>Total Absolute Dollar Amount of Variances</th> </tr> </thead> <tbody> <tr> <td>Agricultural</td> <td>1</td> <td>\$88.40</td> </tr> <tr> <td>Non-Profit</td> <td>1</td> <td>\$125.95</td> </tr> <tr> <td>Non-Residential</td> <td>6</td> <td>\$3,649.84</td> </tr> <tr> <td>Multi-Family Residential</td> <td>9</td> <td>\$658.78</td> </tr> <tr> <td>Residential Single Family Attached</td> <td>1</td> <td>\$44.20</td> </tr> <tr> <td>Single Family Residential – Tier 2</td> <td>1</td> <td>\$44.20</td> </tr> <tr> <td>Single Family Residential – Tier 4</td> <td>5</td> <td>\$221.00</td> </tr> <tr> <td>Single Family Residential – Tier 5</td> <td>6</td> <td>\$530.40</td> </tr> <tr> <td>Single Family Residential – Tier 6</td> <td>14</td> <td>\$707.20</td> </tr> <tr> <td>Single Family Residential – Tier 7</td> <td>5</td> <td>\$397.80</td> </tr> <tr> <td>Total</td> <td>49</td> <td>\$6,467.77</td> </tr> </tbody> </table> <p>Per discussion with WQPC Program Manager, the identified instances were caused when the system did not utilize the updated GIS data when it initially calculated the WQPC for approximately 25,000 account records whose WQPC assessment increases were being phased in over a three-year period, and who had changes to their property type or impervious area reflected on the updated GIS data. We validated that each of the 49 accounts noted were located in the Phase-In table, reflecting that there was a change in the account’s impervious</p>	Property Classification	Number of Variances	Total Absolute Dollar Amount of Variances	Agricultural	1	\$88.40	Non-Profit	1	\$125.95	Non-Residential	6	\$3,649.84	Multi-Family Residential	9	\$658.78	Residential Single Family Attached	1	\$44.20	Single Family Residential – Tier 2	1	\$44.20	Single Family Residential – Tier 4	5	\$221.00	Single Family Residential – Tier 5	6	\$530.40	Single Family Residential – Tier 6	14	\$707.20	Single Family Residential – Tier 7	5	\$397.80	Total	49	\$6,467.77	<p>Loss of WQPC fees paid to the County resulting from incorrect calculations.</p> <p>Inaccurate calculations could result in poor customer service, and negative impact on WQPC program credibility.</p>	<p>Consider implementing a control to validate the system calculations and impact of data updates prior to generating WQPC for all account records in order to assure the accuracy of the calculations, and to identify potential conflicts between current and updated data used in the WQPC assessment calculations.</p>
Property Classification	Number of Variances	Total Absolute Dollar Amount of Variances																																					
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Risk Assessment Area	Current Observation	Risk	Recommendation
	<p>area that would have been affected by the issue that was noted.</p> <p>The issue was identified during the open billing period when these and other issues are normally identified and corrected, and this issue did not result in any customers overpaying for the WQPC charge. We verified that the account update was reflected on the WQPC website portal as of September 8, 2015.</p> <p>Refer to the information provided under <u>WQPC Testing</u> on pages 14-16 above for additional details related to this issue.</p>		
2. WQPC – Property Classification	<p>Our review of a sample of Single Family Residential – Tier 7 properties noted the following:</p> <ul style="list-style-type: none"> • Two of 25 instances in which the properties selected were not correctly identified as an “Exempt” property. As such, the accounts were incorrectly charged a combined total of \$530.40 (\$265.20 x 2) for 2015. • One of 25 instances in which the property selected was incorrectly identified as a Single Family Residential – Tier 7 property, rather than as an Agricultural property. Despite the misclassification, the account was charged the correct WQPC charge based on the impervious area of the main structure on the property. • One of 25 instances in which the property selected was owned by an HOA. As such, the property should be classified as a Non-Residential Property, rather than as a Single Family Residential – Tier 7 properties. The misclassification resulted in an undercharge of \$614.23. 	If properties are not classified correctly, the resulting WQPC could be calculated incorrectly, resulting in a loss of WQPC fees paid to the County.	Assure that all properties are properly categorized. Consider additional sources of information that may provide more timely and current information that could be used to identify changes in property types.
3. DEP WQPC Staffing Limitations	The roles and responsibilities of the DEP employees, interns, and contractors assigned to perform work for the WQPC program are not	Roles and responsibilities are not appropriately defined.	Formally define the roles and responsibilities of each of the positions staffed within the WQPC program to

Risk Assessment Area	Current Observation	Risk	Recommendation
	<p>adequately defined.</p> <p>Further, the WQPC does not appear to be properly staffed to allow for the appropriate segregation of duties necessary to assure an effective control environment.</p> <p>See the information provided in the <u>WQPC Roles and Responsibilities</u> section on pages 19 and 20 above for more information.</p>	<p>Lack of appropriate segregation of duties and responsibilities within the WQPC program.</p>	<p>assure that:</p> <ul style="list-style-type: none"> • All WQPC-related tasks are assigned to an existing role; • The assignment of WQPC tasks to each role assures that all duties have been appropriately segregated; and that, • All DEP personnel staffed in WQPC roles are aware of all of the tasks for which they are responsible <p>Additionally, evaluate the current strategy of assigning DEP staff, interns, and outside contractors to the WQPC program to determine whether there may be alternative resourcing solutions that would provide more effective Program support and would assure that all roles and responsibilities within the WQPC program are appropriately segregated.</p>
<p>4. QA/QC Process Formalization and Documentation</p>	<p>There is no defined or standard QA/QC practice to review account records by the WQPC Program Manager. It appears the Manager does not use a standard or formalized process to decide whether or not to investigate a discrepancy.</p> <p>Additionally, there is not currently a process in place to track all of the account records that are reviewed by the Manager or other DEP personnel as part of the QA/QC process.</p>	<p>Account records are inaccurate.</p> <p>Work performed by staff, including interns, could result in changes to account records without subsequent review.</p>	<p>Implement and document a formal QA/QC process to ensure that potential errors can be consistently identified, investigated, and resolved timely.</p> <p>Develop, document, and implement a process to track all account records that are reviewed by the Manager or other DEP personnel as part of the QA/QC process.</p>

Risk Assessment Area	Current Observation	Risk	Recommendation
5. QA/QC Role Assignments	There is no designated reviewer or approver of the changes/updates that are made to account records as all personnel are able to make changes to the account. It appears that either the WQPC Program Manager, the GIS Specialist, or an intern currently can make the change – as long as all account records have been updated for the current year.	No segregation of duties between preparer and approver of accounts.	Implement and document segregation of duties policies to designate preparer, reviewer, supervisor, etc.
6. Impervious Area File Updates	<p>It appears there is not a documented process to evidence the highlighting of impervious areas (referred to as "polygonning") on properties that is performed by interns, or the review that is performed by either the GIS Specialist, or the WQPC Program Manager.</p> <p>Additionally, while impervious surface areas are identified, targeted, and updated based on remote sensing and information received regarding new developments, there is not a program in place to assure that all GIS property grids, or all properties, are reviewed and updated, as needed, on a defined, recurring basis.</p>	<p>Impervious areas are not captured.</p> <p>Impervious areas are captured incorrectly.</p>	Create and implement a standardized process to review properties within the County on a defined, recurring basis to ensure that all property types are properly reviewed and that impervious areas are accurately captured.
7. Credits and Appeals Receipt, Tracking, and Processing	There is no tracking system or log of all applications for credits and appeals maintained to verify that all instances are indeed processed timely and maintained. As such, we were unable to validate the completeness of the populations of credits and appeals.	<p>Credits and Appeals are not responded to timely.</p> <p>Applications for Credits and Appeals are not reviewed and approved.</p>	Implement a system or process to assure that all Credits and Appeals applications coming in are accurately captured to ensure that all applications are properly tracked and monitored through completion.
8. Credits and Appeals Receipt, Tracking, and Processing	Appeal and credit documentation support and evidence varies widely from one selection to another. The process is for property owners to include pictures of stormwater practices, non-permeable surfaces, etc. in order to receive the credit or the appeal to be granted, if applicable. Credits were granted even though no pictures or other valid evidence were provided and/or retained.	Appeals/credits are improperly granted.	Develop, document and implement a process that assures that credits and fee reductions are only granted after the relevant supporting documentation is received from the applicant, reviewed by the DEP, and approved by the Director.

Risk Assessment Area	Current Observation	Risk	Recommendation
9. Customer Service – Complaint Tracking	It appears that many WQPC-related customer complaints come directly to the WQPC Program Manager through email or phone call as opposed to going through the 311 process (potentially as many as half of all WQPC-related complaints received).	All customer complaints might not be properly recorded, tracked, or responded to timely.	Consider changing or augmenting the 311 process to ensure that all WQPC-related complaints are captured and documented through this process. Additionally, the WQPC Program Manager could use the tracking and monitoring facilitated through the process as a way to ensure that all complaints are being handled appropriately and timely.

Comments and MCIA Evaluation

We provided DEP with a draft of this report for review and comment on December 11, 2015 and DEP responded with comments on January 4, 2016. The response received has been incorporated in the report at Appendix A. DEP concurred with the recommendations in the report and said it would pursue internal activities and work with appropriate County departments to implement the recommendations to improve internal controls in the WQPC program.

Appendix A – Department of Environmental Protection Response

DEP Response



DEPARTMENT OF ENVIRONMENTAL PROTECTION

Isiah Leggett
County Executive

MEMORANDUM

Lisa Feldt
Director

January 4, 2016

TO: William Broglie, Audit Manager
Office of Internal Audit

FROM: Lisa Feldt, Director 
Department of Environmental Protection

SUBJECT: Department of Environmental Protection Comments on the Assessment of the Water Quality Protection Charge Program

I am writing to thank you for your assistance in responding to the request from the Department of Environmental Protection (DEP) for an assessment of the Water Quality Protection Charge (WQPC) program. The Office of Internal Audit performed an assessment to identify potential improvements needed in the program. The WQPC is a multi-faceted system of charges with a number of complexities. We especially appreciate the time and effort spent on understanding the WQPC.

Overall, we agree with the findings and recommendations of the report. The findings highlighted the nuances of the program and the level of effort it takes to turn the multitude of data inputs into the WQPC on the annual property tax bill.

The assessment identified examples in which the amount calculated during the open billing period in May did not agree to the amount reflected in the final tax bill in July. This is reflective of the point in time that the samples were taken and as noted in the report, each affected account was corrected and revised bills were sent to customers. The program includes a routine quality control process for the exact reason of ensuring that final bills to homeowners do indeed represent the most accurate calculation.

DEP concurs with the recommendations related to more clearly defining the roles and responsibilities of staff involved in the program, formalizing program processes, and developing tracking systems for various program activities. The Department will pursue internal activities, and work with the appropriate departments in the County government, including the Office of Management and Budget and the Department of Finance, to implement improvements to the WQPC program to address these recommendations.

cc: Patrice Bubar, Deputy Director of Administration and Operations, DEP
Stan Edwards, Chief, Environmental Policy and Compliance, DEP
Steve Shofar, Chief, Watershed Management, DEP
Vicky Wan, WQPC Manager, DEP

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montgomerycountymd.gov/311  301-251-4850 TTY

Appendix B – Excerpts from Water Quality Protection Charge Regulations

Resolution No.: 17-1090

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

The base rate for the Water Quality Protection Charge for Fiscal Year 2015 is \$88.40 per equivalent residential unit (ERU). This resolution takes effect on July 1, 2014.

Bill No. 34-12

Section 19-21:

Impervious area or impervious surface: Any surface that prevents or significantly impedes the infiltration of water into the underlying soil, including any structure, building, patio, [deck,] sidewalk, compacted gravel, pavement, asphalt, concrete, stone, brick, tile, swimming pool, or artificial turf. Impervious surface also includes any area used by or for motor vehicles or heavy commercial equipment, regardless of surface type or material, including any road, [road shoulder,] driveway, or parking area.

Section 19-35:

- (a) As authorized by State law, the Director of Finance must annually impose and collect a Water Quality Protection Charge, as provided in this Section. The Director must collect the Charge in the same manner as County real property taxes, apply the same interest, penalties, and other remedies (including tax sale) if the Charge is not paid, and generally treat the Charge for collection and administration purposes as if it were a County real property tax. The Director may treat any unpaid Charge as a lien on the property to which the charge applies.
- (b) The Charge must be imposed on each [residential property and associated nonresidential] property, as specified in regulations adopted by the Executive under Method (1) to administer this Section. The regulations may define different classes of real property, depending on the amount of impervious surface on the property, stormwater runoff from the property, and other relevant characteristics, for purposes of applying the Charge.
- (f) The Director must deposit funds raised by the Charge, and funds for this purpose from any other source, into a stormwater management fund. Funds in the stormwater management fund may be applied and pledged to pay debt service on debt obligations to finance the construction and related expenses of stormwater management facilities as approved in the Capital Improvements Program. Funds in the stormwater management fund must only be used for:
 - 3. Any other activity authorized by this Article or State law.

Section 2. Implementation; effective date.

- (a) The Council declares that an emergency exists and that this legislation is necessary for the immediate protection of the public health and safety. This Act takes effect on July 1, 2013. Notwithstanding County Code Section 19-35(b), as amended by Section 1 of this Act, the Director of Finance must phase in the Water Quality Protection Charge as provided in this Section.
- (b) The Director must phase in over 3 years any increase in the Charge that results from the application of Section 19-35(b), as amended by Section 1 of this Act, or any regulation adopted under that Section by including:
 - 1. Only one-third of the additional impervious surface that has been added to the calculation of the Charge in the fiscal year that begins on July 1, 2013;
 - 2. Only two-thirds of the additional impervious surface that has been added to the calculation of the Charge in the fiscal year that begins on July 1, 2014; and
 - 3. The full amount of the additional impervious surface that has been added to the calculation of the Charge in the fiscal year that begins on July 1, 2015.

COMCOR 19.35.01 Water Quality Protection Charge

Section 19.35.01.02 Definitions

Equivalent Residential Unit or ERU means the statistical median of the total horizontal impervious area of developed single family detached residences in the County that serves as the base unit of assessment for the Water Quality Protection Charge. The designated ERU for Montgomery County equals 2,406 square feet of impervious surface.

Section 19.35.01.03 Classification of Properties

For purposes of determining the appropriate assessment rate, all properties that are subject to the Water Quality Protection Charge are assigned to one of the following classifications:

- A. Single Family Residential Tier 1 (SFR1): For single family residential properties where the estimated total impervious area is less than or equal to 1,000 square feet and includes the house, driveways, sidewalks, sheds, and any other fixtures on the property that are impenetrable by water.
- B. Single Family Residential Tier 2 (SFR2): For single family residential properties where the estimated total impervious area is greater than 1,000 square feet and less than or equal to 1,410 square feet and includes the house, driveways, sidewalks, sheds, and any other fixtures on the property that are impenetrable by water.
- C. Single Family Residential Tier 3 (SFR3): For single family residential properties where the estimated total impervious area is greater than 1,410 square feet and less than or equal to 3,412 square feet and

- includes the house, driveways, sidewalks, sheds, and any other fixtures on the property that are impenetrable by water.
- D. Single Family Residential Tier 4 (SFR4): For single family residential properties where the estimated total impervious area is greater than 3,412 square feet and less than or equal to 3,810 square feet and includes the house, driveways, sidewalks, sheds, and any other fixtures on the property that are impenetrable by water.
 - E. Single Family Residential Tier 5 (SFR5): For single family residential properties where the estimated total impervious area is greater than 3,810 square feet and less than or equal to 5,815 square feet and includes the house, driveways, sidewalks, sheds, and any other fixtures on the property that are impenetrable by water.
 - F. Single Family Residential Tier 6 (SFR6): For single family residential properties where the estimated total impervious area is greater than 5,815 square feet and less than or equal to 6,215 square feet and includes the house, driveways, sidewalks, sheds, and any other fixtures on the property that are impenetrable by water.
 - G. Single Family Residential Tier 7 (SFR7): For single family residential properties where the estimated total impervious area is greater than 6,215 square and includes the house, driveways, sidewalks, sheds, and any other fixtures on the property that are impenetrable by water.
 - H. Multifamily Residential Property: For multifamily residential properties the impervious area includes the residential structures that contain the dwelling units, the sidewalks, parking lots and any other permanent installations on the developed parcel, whether under single or common ownership, that is impenetrable by water.
 - I. Nonresidential Property: Nonresidential properties may include commercial properties such as office buildings, hotels, retail establishments or industrial properties such as factories and warehouses. Nonresidential properties may also include properties owned by homeowner associations, nonprofit organizations such as religious institutions, healthcare facilities, other developed properties devoted to non-governmental charitable and institutional uses, and any government-owned properties subject to the Charge. The impervious area for these properties includes all buildings, parking lots, sidewalks, and any other impermeable installations permanently attached to the land parcel containing those installations.
 - J. Nonprofit Tier 1 (NP1): For properties owned by nonprofit organizations where the estimated total impervious area is greater than 0 square feet and less than or equal to 6,910 square feet and includes all buildings, driveways, parking lots, sidewalks, and any other impermeable installations permanently attached to the land parcel containing those installations.
 - K. Nonprofit Tier 2 (NP2): For properties owned by nonprofit organizations where the estimated total impervious area is greater than 6,910 square feet and less than or equal to 54,455 square feet and includes all buildings, driveways, parking lots, sidewalks, and any other impermeable installations permanently attached to the land parcel containing those installations.
 - L. Nonprofit Tier 3 (NP3): For properties owned by nonprofit organizations where the estimated total impervious area is greater

than 54,455 square feet and includes all buildings, driveways, parking lots, sidewalks, and any other impermeable installations permanently attached to the land parcel containing those installations.

- M. Agricultural Property: The impervious area for agricultural properties only includes the houses on those properties.

Section 19.35.01.04 Rates

- A. A. Single Family Residential Properties: The Charge for each single family residential property is based on a percent of the base rate for one ERU in accordance with its assigned tier classification as follows:

- 1) Single Family Residential Tier 1 (SFR1): The Charge for each Single Family Residential Tier 1 property is 33 percent of the applicable base rate for one ERU.
- 2) Single Family Residential Tier 2 (SFR2): The Charge for each Single Family Residential Tier 1 property is 50 percent of the applicable base rate for one ERU.
- 3) Single Family Residential Tier 3 (SFR3): The Charge for each Single Family Residential Tier 1 property is 100 percent of the applicable base rate for one ERU.
- 4) Single Family Residential Tier 4 (SFR4): The Charge for each Single Family Residential Tier 1 property is 150 percent of the applicable base rate for one ERU.
- 5) Single Family Residential Tier 5 (SFR5): The Charge for each Single Family Residential Tier 1 property is 200 percent of the applicable base rate for one ERU.
- 6) Single Family Residential Tier 6 (SFR6): The Charge for each Single Family Residential Tier 1 property is 250 percent of the applicable base rate for one ERU.
- 7) Single Family Residential Tier 7 (SFR7): The Charge for each Single Family Residential Tier 1 property is 300 percent of the applicable base rate for one ERU.

- B. Multifamily Residential Properties: The Charge for each multifamily residential property is based on the number of ERUs assigned to the property in accordance with the following procedure:

- 1) The Director determines the number of ERUs for a multifamily residential property by dividing the property's actual impervious area by the designated ERU for Montgomery County.
- 2) The Director computes the billable Charge by multiplying the base rate by the total number of ERUs assigned to the property.
- 3) If the multifamily residential property is a condominium development, the Director calculates the Charge to be billed in equal shares to the owners of the development by dividing the total ERUs calculated for the property by the number of individual condominium units and then multiplying the sum by the base rate to determine the amount billable to each unit owner.

- C. Nonresidential Properties: The Charge for each nonresidential property is based on the number of ERUs assigned to the property in accordance with the following procedure:
- 1) The Director determines the number of ERUs for a nonresidential property by dividing the property's actual impervious area by the designated ERU for Montgomery County.
 - 2) The Director computes the billable Charge by multiplying the base rate by the total number of ERUs assigned to the property.
 - 3) If the nonresidential property is a condominium development, the Director calculates the Charge to be billed in equal shares to the owners of the development by dividing the total ERUs calculated for the property by the number of individual condominium units and then multiplying the sum by the base rate to determine the amount billable to each unit owner.
- D. Nonprofit Properties: The Charge for eligible nonprofit property must not exceed the percent of the base rate for one ERU in accordance with the assigned tier classification as follows:
- 1) Nonprofit Tier 1 (NP1): The Charge for each nonprofit property is based on its total impervious area up to 150 percent of the applicable base rate for one ERU.
 - 2) Nonprofit Tier 2 (NP2): The Charge for each nonprofit property is based on its total impervious area up to 900 percent of the applicable base rate for one ERU.
 - 3) Nonprofit Tier 3 (NP3): The Charge for each nonprofit property is based on its total impervious area up to 2,300 percent of the applicable base rate for one ERU.
- E. Agricultural Properties: The Charge for each agricultural property is based on a percent of the base rate for one ERU in accordance with the applicable Single Family Residential Tier.

Appendix C – WQPC Website/Portal Assessment

Does the Entity inform property owners about the following:														
Location/Entity	The program is described accurately and clearly?	How to calculate ERU assignment and charge?	How the program operates?	The program benefits?	Appeal opportunities?	Credit opportunities?	Hardship exemptions?	Ability to review property online?	Pay bill online?	Ability to view bill online?	Ability to view impervious area/ property area online	Information/ tutorials about receiving credits or implementing practices to decrease runoff	Notes	
Montgomery County Maryland - DEP WQPC program http://www.montgomerycountymd.gov/dep/	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	- Most detailed site out of listing; user friendly; very educational; well organized - Confusing when the "Consolidated Tax Bill" WQPC amount does not agree to the WQPC "Account Record Summary" clickable on the Tax Bill	
1 DC - Clean Rivers Impervious Area Charge (CRIAC) https://www.dewater.com/customer-care/iab.cfm	Yes - provides mission, vision, summary of info that can be found	Yes - describes ERU assignment and shows cost per month based on ERU	Yes	yes	Yes	Yes	Yes - SPLASH program	No	Yes	Yes	No	Yes - "Apply for RiverSmart Rewards and receive discounts on your DC Water bill. District residents, businesses, and property owners can earn a discount of up to 55% off the DDOE Stormwater Fee when they reduce stormwater runoff by installing green infrastructure (GI) such as green roofs, bioretention, permeable pavement, and rainwater harvesting systems." - http://doee.dc.gov/riversmartrewards	- not very robust site - poor website links to credit info - no separate section immediately identifying CRIAC program	

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Location/Entity	The program is described accurately and clearly?	How to calculate ERU assignment and charge?	How the program operates?	The program benefits?	Appeal opportunities?	Credit opportunities?	Hardship exemptions?	Ability to review property online?	Pay bill online?	Ability to view bill online?	Ability to view impervious area/ property area online	Information/ tutorials about receiving credits or implementing practices to decrease runoff	Notes	
2	Charlottesville, VA – Stormwater Utility Fee (includes map viewer) http://www.charlottesville.org/index.aspx?page=562	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	good links and info regarding SWM practices	
3	Philadelphia – Stormwater runoff charge http://www.phila.gov/water/wu/stormwater/Pages/default.aspx	Yes	Not easily found online - standard rate for residential; sq. ft. for non-res.	Yes	Yes	Yes	No	Yes	Yes	No - you need acct number from water bill which may indicate that the bill is not available to view	Yes	Yes	- inability to calculate ERU and/or charge amount - GIS info only states the amount to pay - 32 page guide on various ways/programs to "green" home and yard	
4	Baltimore County – Stormwater Remediation Fee http://www.baltimorecountymd.gov/Agencies/budfin/customerservice/taxpayerservices/stormwaterfee.html	Yes	Yes	Yes	No	No	Industrial, Commercial, Institutional only	Yes	Yes	Yes	Yes	No	- does not detail SWM practices - not very robust website regarding stormwater information	
5	Baltimore City – Stormwater Fee http://publicworks.baltimorecity.gov/Bureaus/WaterWastewater/StormwaterManagement.aspx	Yes	Yes	Yes	Somewhat	Yes	Yes	Yes	Yes	Yes	Yes	some details about various SWM practices when applying for credits	- could have section or page related to education of ways to reduce stormwater runoff with examples, pictures, etc. - also need to better detail the benefits of the program	
6	Richmond – Stormwater fee http://www.richmondgov.com/publicutilities/StormwaterFAQ.aspx	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	Yes	- not very detailed listing or information regarding SWM practices - lacks ability to view bill and pay bill online	
7	Raleigh, NC – Stormwater Utility Fee http://www.raleighnc.gov/home/content/PWksStormwater/Articles/StormwaterUtilityRates.html	Yes	Yes	Yes	No	Yes	Commercial Only	No	No	Yes	No	No	Fee Credit Manual - 73 pages Generally required to get Engineer - little to no detail about SWM practices (no credits for residential properties unless retention pond was already on property) - website more geared toward bill amount and paying the bill	
8	Durham, NC – Stormwater Utility Fee http://durhamnc.gov/814/Stormwater-Bill-Questions	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	Yes - ncstormwater.org	-ncstormwater.org - separate page with further info	

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9 Houston, TX – Drainage Charge https://www.rebuildhouston.org/index.php/drainage-utility/drainage-utility-charge/drainage-utility-charge-faq http://verify.rebuildhouston.org/prod/mydrain.htm	Somewhat	Yes	Yes	No	Yes - Info provided but the link to review the appeal process is non-functioning	No	No	No - you can view charges by property but not property area outlines	No	No	No	No	- only FAQ about stormwater billing information - no information about SWM practices, why it's beneficial - not very helpful to residents or businesses	
10 Minneapolis, MN – Stormwater Utility Fee http://www.ci.minneapolis.mn.us/publicworks/stormwater/index.htm	Not very useful	No	Somewhat	Yes	No	Yes	No	No	No	No	No	Some details about various SWM practices	- several YouTube videos for different green initiatives	
11 DeKalb County, GA – Stormwater Utility Fee http://dekalbcountyga.gov/publicwrks/stormwater_mngmt/index.html	Yes	Yes	Somewhat	Somewhat	No	Yes	No	No	Yes	No - just the amount due	No	BMP links sends users to US EPA website	- not all links work (community outreach, department of planning & sustainability, -Household Hazardous Waste link (Terms and Definitions section), North American Benthological Society under FAQ section, Georgia Dept of Natural resources (additional links section), Solid Waste Management Plan (under Public Works - Sanitation) - links are hard to use (hover on sidebar links shows other links unable to be clicked)	
12 Columbia County, GA – Stormwater fee http://www.columbiacountyga.gov/government-departments-s-z/stormwater-utility/stormwater-billing	Not very useful	not fully explained - link is to a newspaper article	Somewhat	Somewhat	No	Yes - manual explaining how to receive them	No	No	Yes	No	No	Not very helpful	- in order to view the SW Management Design Manual, you have to buy the manual, but are able to view supplement online - pictures of drainage projects provided - first link under "links" page does not work - National Flood Insurance Program link also does not work	

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Location/Entity	The program is described accurately and clearly?	How to calculate ERU assignment and charge?	How the program operates?	The program benefits?	Appeal opportunities?	Credit opportunities?	Hardship exemptions?	Ability to review property online?	Pay bill online?	Ability to view bill online?	Ability to view impervious area/ property area online	Information/ tutorials about receiving credits or implementing practices to decrease runoff	Notes	
13 Chattanooga, TN – Resource Rain (mostly customer education) http://www.chattanooga.gov/public-works/water-quality-program/wq-fees-incentives/44-public-works/989-resource-rain	Resource: rain - very detailed guide online but seems cumbersome	Yes	Resource: Rain - very detailed guide online but seems cumbersome	Yes	Yes	Yes	Yes	able to view property through aerial, basemap, or topological, but no info for home	Yes	Yes	able to view property through aerial, basemap, or topological, but no info for home	geared more towards new and re-development	- most info related to new development or re-development sites and charge needs to be determined during planning phase; required to manage first inch of rain each storm so there's no runoff from site - not a lot of info related to residents and their ERUs or SWM practices - Dead link at the bottom of the Water Quality Program Page - Site seems user friendly and interactive but there is a lot of information to sort and sift through	
14 Blacksburg, VA – Stormwater Utility http://www.blacksburg.gov/Index.aspx?page=1864	Yes - states benefits and goals clearly and concisely	Yes - flat fee for residents and comprehensive chart for commercial etc.	Yes	Yes	No	Yes	No	Somewhat	Yes	Unknown	Yes	Credit manual link, but not as easily readable or listed out as other sites	- simple website to list out needed info - web GIS helpful for property owners - states why fee is being charged instead of raising taxes which aids in understanding of the program	
15 Lexington, KY – Water Quality Management Fee http://www.lexingtonky.gov/index.aspx?page=1963	Yes	Yes	Yes	Yes	Yes - non-residential	No - incentive grant programs are used	No	Yes - but does not have stormwater charge info	Yes	Yes	Somewhat - no detail, but has aerial view of property	Yes, very detailed, helpful, instructional	- SWM practices "For Residents" is very helpful - noted that not many residents/property owners take advantage of credit opportunities and that's why they chose incentive grant program	
16 King County, WA – Surface water management fee http://www.kingcounty.gov/depts/dnrp/wlr/surface-water-mgt-fee.aspx	Yes	Somewhat - impervious areas have % but no tiers	Yes	Yes	Yes	Yes - cost share program	Somewhat - low income senior exemption	No	Yes	Yes	Somewhat - not very informational related to stormwater	Manuals describing different implementation practices	- manuals are cumbersome and I would highly doubt residents/companies read through the information; should have easy to read, quick pieces of information such as rain barrel guides, detention pond guides, etc.	
17 Champaign, IL – Stormwater Utility Fee http://ci.champaign.il.us/departments/public-works/residents/stormwater-management/stormwater-utility-fee/	Yes	Yes	Yes	Yes	Customer Service Phone #	SFR only get incentives Non-SFR - credits or incentives	No	No	No	No	No	very little, if any, educational info or SWM practice information	- need more info for property owners on types of credits and how to receive them - surprised no ability to pay online or view GIS mapping - site is not geared towards residential use, difficult to navigate and extract information	

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18 Greensboro, NC – Stormwater fee http://www.greensboro-nc.gov/index.aspx?page=2224	Somewhat - not very detailed	Yes	Somewhat - little detail	Somewhat - little detail	Yes	Yes	No	No	Yes	Unclear - ability to pay but does not state that you can view	No	Little detail online, but links to a cumbersome manual	- not much detail on actual website and links; most info retained in a manual that has links on the website - I would be surprised if anyone really reads the manuals