

Montgomery County, Maryland



**Montgomery County
County-Wide Risk Assessment and Multi-Year Audit Plan for the
Executive Branch Departments
May 12, 2010**

COUNTY-WIDE RISK ASSESSMENT AND MULTI-YEAR AUDIT PLAN FOR THE EXECUTIVE BRANCH DEPARTMENTS

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Introduction

This document summarizes the work that Cherry, Bekaert and Holland, L.L.P. (CBH) has performed in conducting a County-wide risk assessment of the Montgomery County executive branch departments. The scope of this engagement included all departments of the executive branch and the Capital Improvements Program (CIP) as it relates to executive branch departments. This document sets out details of the approach, methodology and matters considered in assessing areas of risk within Montgomery County and the internal audits to be considered as part of the proposed three year internal audit plan. This risk assessment has been performed on behalf of the Office of Internal Audit.

The purpose of the risk assessment is for Montgomery County to better understand its operating environment and where its greatest vulnerabilities and challenges lie with the goal of developing a comprehensive multi-year internal audit plan. The plan is strategically designed to address the most significant audit risks facing the County as identified by the risk assessment. Based on the revised fiscal year 2010 budget, the annual expenditures for the executive branch departments and other County functions, principally non-departmental accounts, included in the risk assessment is approximately \$1.8 billion. In addition, the six-year Capital Improvements Program budget associated with executive branch departments is in excess of \$1.8 billion. A large portion of these budgeted capital improvements will be spent over the course of the multi-year audit plan. Budgeted headcount for the departments under review exceed 8,300 positions.

Executive Summary

For this assessment risk is defined in terms of the likelihood and impact. Likelihood represents the possibility that a given event will occur (e.g., an act of fraud or a failure to comply with laws or regulations) while impact represents the effect of that event occurring (e.g., the impact of a material fraud could have a significant impact on the reputation or financial condition of the County). Departments were assigned risk a rating of High, Moderate, or Low. The ratings reflect our judgments based on the information we gathered during the assessment. Most of the County units we assessed were departments; however some were offices or functions. For simplicity we often use the term department to represent all three.

Of the 30 departments (including offices and government functions such as CIP) included in this engagement we have assessed 9 as being high risk, 7 as moderate risk, and 14 as low risk. Each of the high risk departments is ubiquitous in the daily government operations internally and each also interfaces on a continuous basis with the citizenry of Montgomery County. The determination that a department is high risk is principally a reflection of the nature of the programs or functions for which these departments are responsible and is not meant to imply inadequate management. The nine high risk designations are listed below:

Table 1 –High Risk Designations

County Departments and Functions Rated High Risk	
<ul style="list-style-type: none"> • Finance • Fire and Rescue Service • General Services • Health and Human Services • Capital Improvements Program 	<ul style="list-style-type: none"> • Human Resources • Police • Technology Services • Transportation

The risk assessment identified 112 potential internal audits, each of which was individually classified as High, Moderate or Low. From that audit universe, we have proposed performing 31 audits (including all 26 with a rating of High) as part of the multi-year internal audit plan. In total, 27 of 31 proposed audits relate to the departments identified above as high risk or CIP. A summary of the 112 potential audits by functional area is presented below:

Table 2 – Audits Grouped by Function

Audits Grouped by Function	Audits Identified	Overall Audit Rating		
		High	Moderate	Low
Seven Most Common Audit Functions				
Information Technology	20	5	15	0
Revenue	13	1	8	4
Grant	12	2	6	4
Contracting	12	7	4	1
Capital Improvement	6	3	2	1
Procurement	5	1	4	0
Inventory	5	1	4	0
Total for Top Seven	73	20	43	10
All Other Areas	39	6	25	8
Total Audits	112	26	68	18

Objectives

The objectives of the risk assessment conducted by CBH are to:

- Assess the risk of the County government's major executive branch departments, programs and functions
- Develop a proposed risk-based multi-year internal audit plan.

This report was prepared in accordance with consulting standards established by the American Institute of Certified Public Accountants (AICPA). Our proposed procedures, developed to meet the objectives stated above, were reviewed and approved in advance by the Office of Internal Audit.

Approach and Methodology

CBH used an industry standard approach in performing the risk assessment that gave consideration to the key strategies, operational, compliance, financial and other risks associated with a large local government organization such as Montgomery County. Among the critical inputs to the development of the risk assessment and internal audit plan was the information obtained from the more than 400 Montgomery County management employees that responded to a computer based risk assessment survey prepared by CBH or were interviewed in person by the CBH engagement team.

In preparing the risk assessment, we performed the following:

- Reviewed the County budget (including the operating and capital budget) and financial information.
- Reviewed the results of prior internal audits.
- Reviewed the results of prior external audits (Comprehensive Annual Financial Report and the Report on Expenditures of Federal Awards).
- Reviewed other relevant data such as Inspector General reports, CountyStat information, and Office of Legislative Oversight reports as necessary.
- Identified risk categories for assessing likelihood and impact.
- Developed tailored interview and survey questionnaires mapped to the risk and impact categories.
- Developed an evaluation criteria for the survey responses.
- Pre-tested the survey with selected employees and revised the survey based on feedback received.
- Distributed the computer based survey to approximately 500 County employees (the individuals surveyed comprise a management group already identified within the County, the MLS or Management Leadership Service). Survey results were scored and mapped by risk category and department to the Risk Assessment Heat Map by Department (Appendix A).
- Interviewed 65 key employees, the purpose of which was to obtain context, identify specific risk areas, and gain an understanding of the overall environment. Unlike the survey results, they were not scored mathematically.
- Identified the audit universe by department (Appendix B).

- Synthesized risk by audit area. During this process, the engagement team reviewed the results of the surveys, interviews and the data review and, using their best collective judgment, ascribed a risk rating (low, moderate or high) to each risk category under likelihood and impact for each department and audit area (Appendices A and B). Refer to Table 5 to see criteria for determining the assessment ratings for likelihood and impact.
- Upon completion of the risk synthesis, CBH ranked potential audits from high to low (Appendices B and D).
- For audits proposed for the multi-year plan, CBH developed a preliminary estimate of hours for performing each audit for the purpose of considering resource needs/constraints and timing. Each proposed audit includes a statement of the audit objectives (Appendices C and E).
- Developed a report that includes the audits by department, rankings and related heat map. The report also contains a summary of the approach used to reach the engagement team conclusions.

Risk Categories

As part of the risk assessment, we identified the various categories of risk applicable to an organization like Montgomery County. These risk categories were determined through discussions with County personnel and our experience with other local government entities. We ultimately assessed the likelihood or probability of occurrence for each of these risk categories for each department reviewed and subsequently for each potential internal audit identified. The risk types are presented below.

Table 3 – Risk Categories – Likelihood

Risk Types	
Budget Risk	Risk assessed based solely on magnitude of annual budgeted expenditures. <ul style="list-style-type: none"> • Low – up to \$30 million • Moderate – greater than \$30 million up to \$100 million • High – greater than \$100 million
Strategic Risk	Inability to meet business goals, objectives, or strategies due to: <ul style="list-style-type: none"> • An ineffective or inefficient business model • An improper or inefficient organizational structure • Improper or ineffective strategic planning
Financial Operations Risk	Information used to support operational and financial decisions is not relevant and reliable, resulting in: <ul style="list-style-type: none"> • Budgets that are unrealistic or ineffective • Operation measurements that cannot be relied upon for monitoring performance • Accounting information that is not prepared in a timely and accurate fashion
Information Technology Risk	<ul style="list-style-type: none"> • Technology used does not effectively support the current and future needs of the department or County • Compromise to the integrity, access and/or availability of data or operating systems

Risk Types	
Legal & Regulatory Risk	Noncompliance with county, state, or federal legal or regulatory requirements can result in fines, penalties and/or other adverse impact to the department or County.
Integrity/Fraud Risk	<ul style="list-style-type: none"> • Susceptibility to theft, waste and abuse of County resources • Assets and information that is vulnerable to theft or manipulation
Customer Service/Delivery Risk	<ul style="list-style-type: none"> • Failure to provide service to internal or external customers • Failure to respond to internal or external customers in a timely and effective fashion
Environment, Health & Safety Risk	A condition or vulnerability that has an adverse effect on the environment or negatively impacts the health and/or safety to employees and/or local citizens.
Personnel/ HR Risk	Lack of proper skill set, resources, training, or succession planning in County personnel.
Information & Communication Risk	Inaccurate, inconsistent or untimely information or communications to internal and external customers, including financial reporting.

Impact Categories

Once the likelihood of occurrence was determined, based upon all of the information gathered, the impact of the risk occurrence was rated for each of the following factors:

Table 4 – Impact Categories

Risk Impact	
Reputation Impact	Improper instructions, communication and interactions with internal or external customers, regulators, or constituents that may result in negative public perception and/or could harm the reputation of Montgomery County.
Business Operations Impact	<ul style="list-style-type: none"> • A condition or issue that prevents County operations from functioning effectively, efficiently or from meeting internal/external goals and objectives • A vulnerability due to volume, complexity of transactions or activities
Financial Impact	<ul style="list-style-type: none"> • Circumstances that could result in significant financial implications to the department or the County • Failure of the County to meet financial obligations or requirements • Failure of the County to comply with funding requirements thus impairing future funding • Misstated Financial Statements

When considering the risk ratings for likelihood and impact, we considered the factors outlined in the table below.

Table 5 – Likelihood and Impact Ratings

Likelihood		Impact	
High	Immediate and high degree of vulnerability such that it is critical that the risk be managed and controlled in order for this area to achieve its objectives. If not properly controlled, that area could have a serious, long-term or detrimental effect on operations, internal controls and the achievement or organizational goals and objectives.	High	If an event occurs, the financial ramifications would be severe and/or operations would suffer long standing consequences.
Moderate	Risk present should be addressed and controlled but the probability is not as severe as defined above. If not properly controlled, the area could have some impact on operations and internal controls, but achievement of organizational goals and objectives will still be met.	Moderate	Indicates that the resulting consequences of an event would be negative and must be managed but would not have a substantial effect on finance or on-going operations.
Low	The threat of a serious event occurring is either non-existent or remote. The area should be managed but the level of risk response is limited.	Low	Indicates that the event occurring would have little or no impact financially or operationally.

Interviews and Surveys

CBH recognized the need and importance of gaining a better understanding of the County departments and their operations. Interviewing and surveying County employees is the approach employed by CBH to gain the understanding needed. The interviews and surveys focused on the identification of potential audit areas through consideration of risk factors common to a government operating environment and how the County addresses such risk.

CBH developed a general questionnaire which was utilized in conducting interviews with key personnel from the departments listed in the table below. The individuals selected for interviews were identified in consultation with senior management from the Office of Internal Audit and the Offices of the County Executive. The interview questions were designed to have interviewees share opinions on the risks to County operations and what would be the impact if such risk occurred.

Table 6 – County Departments Represented in Interviews

County Departments, Offices and Boards Represented in Interviews	
<ul style="list-style-type: none"> • Inspector General • County Attorney • State’s Attorney • CountyStat • Technology Services • Management and Budget • Finance • Fire and Rescue • Correction and Rehabilitation • Health and Human Services • Office of Legislation Oversight • Board of Investment Trustees 	<ul style="list-style-type: none"> • General Services • Human Resources • Transportation • Liquor Control • Police • Emergency Management and Homeland Security • Environmental Protection • Housing and Community Affairs • County Executive • County Council

The confidential survey was prepared based on the risk and impact factors (Tables 3 and 4) and sent to roughly 500 County employees. The survey participants, members of the Management Leadership Service, were selected by Office of Internal Audit and the Office of the County Executive. The surveys were controlled by CBH and were conducted using the online survey tool Zoomerang with participant’s responses being recorded anonymously. CBH received 353 responses from 33 different County departments, for a response rate of 70%. The survey was designed to obtain responses that identified risk areas as well as help gain a better understanding of the County’s control environment. Survey participants were asked to provide their level of agreement to survey questions using the following responses:

- Strongly Agree
- Generally Agree
- No basis to Judge
- Does Not Apply
- Generally Disagree
- Strongly Disagree

In addition, the survey contained several open ended questions that allowed for narrative responses. These open ended questions resulted in the identification of some potential audits and further validated others in the audit universe.

Listed below are the departments from which 5 or more survey responses were received.

Table 7 – Survey Responses by Department

Department	Number of Responses
Health and Human Services	54
Police	37
Fire and Rescue Service	33
Transportation	28
Public Libraries	22
Finance	20
Permitting Services	17
Technology Services	15
Correction and Rehabilitation	12
General Services	12
Environmental Protection	11
Regional Services Center	11
Human Resources	10
Office of County Executive	10
Recreation	9
Housing and Community Affairs	8
Liquor Control	6
Management and Budget	6
County Attorney's Office	5
Economic Development	5

Evaluation and Assessment of Survey Responses

The participant survey responses were grouped by department and scored using the rating scale detailed in Table 8 below.

Table 8 – Survey Response Ratings

Survey Response	Rating
Strongly Agree	1
Generally Agree	2
No Basis to Judge	3
Does not Apply	3
Generally Disagree	4
Strongly Disagree	5

The responses were also grouped by risk likelihood and impact category and an average response rating calculated. Based upon the average response rating calculated all risk

categories were initially assessed as High, Moderate, or Low. Table 9 details the how the ratings were applied to the assessment rankings.

Table 9 – Initial Assessment Rankings

Range	Risk
1.00 - 2.50	Low
2.51 - 3.50	Moderate
3.51 - 5.00	High

Development of Department Ratings

Department ratings were developed based on consideration of the following:

- Structured question responses from the survey – As noted above, responses to the survey questions were assigned a point value that was averaged with all of the responses from a particular department. These average scores equated to a high, moderate or low rating (Table 9). Each question of the survey was linked directly to a risk or impact category. As a starting point, CBH mapped the average score to the departmental heat map.
- Narrative responses from the survey – Narrative survey responses provided context beyond the numerical score. Although responses were generally brief, they provided additional information that impacted the judgments and conclusions of the engagement team.
- Interviews – CBH interviewed 65 County managers and senior officials in more than 30 individual and group meetings. These interviews, which lasted on the average approximately 90 minutes, provided compelling information regarding the risks and challenges facing Montgomery County. The interviews also provided significant direction related to the audit universe for the County. All of the interviews were attended by at least two CBH team members, and the standard interview questionnaire was provided to interviewees in advance. In addition, the interviewees were provided the descriptions related to risk and impact categories (Tables 3 and 4) in advance. By providing advance information to the interviewees, our time together was spent focusing on the risks, issues and concerns of the management team and not on the process. The interviews significantly impacted the judgments and conclusions reached by CBH.
- Data review – CBH reviewed numerous audit reports from OIA, OLO and the Inspector General, budget data and CountyStat information during the assessment process. From each of these, we gleaned additional context and understanding of the County’s successes and challenges, and we have considered this information in our departmental assessments.

After consideration of the narrative survey responses, interviews and data review, as well as the engagement team’s prior experience, we reviewed and revised, as judgment dictated, the initial risk ratings that had been mathematically calculated. The Risk Assessment Heat Map by Department is presented in Appendix A. Ultimately, the final

risk and impact ratings reflect the judgments of CBH based on the totality of the information gathered.

Audits by Department (Audit Universe) and Audit Ratings

The audits by department (audit universe) were developed based upon the information gathered from the sources described previously. On the whole, County managers were forthright in expressing concerns regarding both their particular department as well as County operations generally. Although some concerns expressed were noted to be anecdotal, most were based on the direct experiences of the respondents on their departments. The audits by department are presented in Appendix B.

The use of the term “universe” is not intended to reflect all possible internal audits that could be performed in Montgomery County. Certainly, some issues are likely to arise over the course of executing the multi-year internal audit plan that will not have been contemplated in this risk assessment. An example of such a matter might be the recent concerns with the Tuition Assistance Program (TAP). Had a risk assessment been prepared a year ago, it’s unlikely that a relatively small program such as TAP would have been on the radar screen. Another example would be legislatively required wage compliance audits, which are generally conducted every other year by the Office of Internal Audit. The audit universe does, however, include potential audits based on specific comments from managers surveyed or interviewed. Although many may not rise to a risk level that will make them a priority for the County overall, they are a specific concern for the management of that department.

Appendix B includes more than 100 potential audits, each of which has been individually rated by the engagement team based upon consideration of the information available to the CBH team and our professional judgment.

Results

The results of the risk assessment are presented in Appendices A-E. A brief summary of the results are presented here. Overall, 9 departments or functions (i.e., CIP) received an overall rating of “High”. These departments and functions were:

Table 10 – Departments and Functions Rated High Risk

Department or Office	Overall Rating	Overall Likelihood	Overall Impact
Finance	H	M	H
Fire and Rescue Service	H	H	H
General Services	H	M	H
Health and Human Services	H	H	H
Human Resources	H	H	H
Police	H	H	H
Technology Services	H	H	H
Transportation	H	H	H
Capital Improvements Program	H	H	H

Each of the selected departments has a critical role in the operations of County government, services directly impacting a large part of the citizenry of Montgomery County or both. In addition to the eight departments noted above, we also selected Capital Improvements Projects as an additional government function or operation that warranted an overall “high” rating based on the significance of these projects in terms of dollars expended and impact on the County. The departmental ratings reflect the risks associated with the programs and functions of these departments and are not meant to imply inadequate management.

We also assessed 7 departments as moderate risk and 14 departments as low risk. The detailed results of the departmental risk assessment are presented in Appendix A.

We identified 112 potential internal audits (see appendix B). After rating each audit individually, 26 were deemed to be high risk, 68 as moderate risk, and 18 as low risk. Of the 26 high risk audits, 23 related to departments rated as high risk or to CIP. The remaining three high risk audits all pertained to Liquor Control which was rated moderate risk.

As presented in Table 2 in the Executive Summary (page 4), 73 of the 112 audits identified related to seven broad functional areas. These included: Information Technology (20); Revenue (13); Grants (12); Contracting (12); Capital Improvements (6); Procurement (5), and Inventory (5).

Appendix C presents our multi-year audit plan and proposes a total of 31 audits to be performed for audit plan years 1 through 3. All 26 of the high risk audits identified in Appendix B are included in the audit plan. The five (5) remaining audits proposed were rated “moderate” risk. Of those, four are related to departments rated as high risk. In total 27 of 31 audits proposed relate to departments rated as high risk or CIP. The table below presents the proposed audits by functional area by internal audit plan year.

Table 11 – Internal Audits by Function and Plan-Year

Audit Plan Grouped by Function	Audits in Plan	Audit Year		
		1	2	3
Contracting	7	2	2	3
Information Technology	6	3	2	1
Capital Improvements	3	1		2
Accounts Payable	2	1		1
Benefits	2	1		1
Disability	2		2	
Inventory	2		1	1
Grants	2	1	1	
Revenue	2		1	1
Follow – Up (Treasury)	1		1	
Overtime	1	1		
Procurement	1		1	
Total Audits	31	10	11	10

Appendix D provides additional insight on the factors which most influenced the engagement team in determining if an audit was high risk. As shown in the “dashboard” report, the principal influences driving the risk ratings related to materiality (22 of 26 audits); specific comments or concerns raised by Montgomery County management through interviews and surveys (21 of 26); susceptibility to fraud, including the identification or implication that fraud has previously occurred (14 of 26), and; audit history, including either recent audit results or a lack of recent audits performed (10 of 26).

Appendix E presents the proposed internal audit plan by year and identifies the preliminary objectives for each audit. The proposed plan was developed to ensure the following:

- All 26 high risk audits are included in the three year internal audit plan.
- Departments rated as high risk receive significant attention (27 of 31 audits) each year of the plan.
- Significant functional areas such as Contracting and Information Technology are to be audited in some manner each year.
- For departments with multiple audits proposed, we have attempted to spread those audits across the entire plan rather than concentrate them into a single year.
- For IT post-implementation reviews (ERP, MCTime, Liquor Control), we have proposed audit dates based the County’s deployment schedule for these systems.

We attempted to spread the aggregate audit hours in a balanced manner across the three years of the audit plan.

Appendix A – Risk Assessment Heat Map by Department

Appendix A presents the risk assessment by department. A handful of departments have been excluded from the risk assessment based on the very limited budgeted expenditures and headcount. These include:

- Consumer Protection
- Ethics Commission
- Human Rights
- Public Information
- Commission for Women

Each of these departments had annual budgets of less than \$165,000. We have also not presented information related to the Board of Investment Trustees. We did, however, interview a member of the Board to gain a greater understanding of the role the Board performs and associated risks.

As CIP is not a department, there were no employees to survey or interview. Many employees did comment on specific initiatives or projects that are planned or in process. Our risk ratings for CIP were judgmentally determined based on responses from management, our understanding of the importance of the various projects and the significant dollars budgeted.

Montgomery County, MD
 County-Wide Risk Assessment and Multi-Year Audit Plan for the Executive Branch Departments
Risk Assessment Heat Map by Department

	Department or Office	Overall Risk Rating	Budget FY10 (\$)	Full-Time Employees FY10	LIKELIHOOD											IMPACT			
					Budget Risk	Strategic Risk	Financial Operations Risk	Information Technology Risk	Legal & Regulatory Risk	Integrity/ Fraud Risk	Customer Service / Delivery Risk	Environment, Health & Safety Risk	Personnel / HR Risk	Information & Communication Risk	Overall Likelihood	Reputation Impact	Business Operations Impact	Financial Impact	Overall Impact
					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Board of Elections	L	4,468,770	28	L	L	L	L	M	M	M	L	L	L	L	M	L	L	L
2	Community Use of Public Facilities	L	9,169,440	25	L	L	L	L	L	M	M	M	L	L	L	L	L	L	L
3	Correction and Rehabilitation	M	65,414,400	548	M	L	M	M	M	M	M	H	M	L	M	H	L	M	M
4	County Attorney	M	5,224,980	72	L	L	L	L	M	L	M	M	L	H	L	M	M	L	M
5	County Executive	M	6,602,300	49	L	M	M	L	M	M	M	L	L	H	M	H	M	L	M
6	Economic Development	L	10,328,240	46	L	M	L	L	M	H	M	L	L	M	M	M	L	L	L
7	Emergency Management and Homeland Security	L	1,346,940	9	L	L	L	L	M	L	L	M	L	H	L	M	L	L	L
8	Environment Protection	M	114,371,500	150	H	L	M	L	H	M	M	H	L	L	M	M	L	M	M
9	Finance	H	58,319,410	124	L	M	H	H	M	M	M	L	M	M	M	M	H	H	H
10	Fire and Rescue Service	H	193,718,620	1,298	H	M	M	H	H	M	H	H	M	L	H	H	M	H	H
11	General Services	H	34,499,440	250	L	H	M	M	M	M	M	M	M	L	M	M	H	H	H
12	Health and Human Services	H	268,570,740	1,372	H	H	H	H	H	H	H	M	H	M	H	H	H	H	H
13	Housing and Community Affairs	M	43,777,590	80	M	H	H	M	H	M	M	M	M	L	M	H	M	M	M
14	Human Resources	H	182,823,230	80	L	M	H	M	H	M	H	L	M	H	H	H	M	H	H
15	Intergovernmental Relations	L	904,400	5	L	L	L	L	M	M	L	L	L	M	L	L	L	L	L

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					Budget Risk	Strategic Risk	Financial Operations Risk	Information Technology Risk	Legal & Regulatory Risk	Integrity/ Fraud Risk	Customer Service / Delivery Risk	Environment, Health & Safety Risk	Personnel / HR Risk	Information & Communication Risk	Overall Likelihood	Reputation Impact	Business Operations Impact	Financial Impact	Overall Impact
					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
16	Liquor Control	M	44,495,260	257	M	L	M	H	H	H	L	L	L	L	M	L	M	M	M
17	Office of Management and Budget	L	3,703,890	33	L	M	L	M	L	L	M	L	L	M	L	M	L	L	L
18	Permitting Services	M	27,067,180	226	L	L	M	L	M	M	M	H	M	M	M	M	M	M	M
19	Police	H	246,648,400	1,632	H	M	M	H	H	H	H	H	H	M	H	H	M	H	H
20	Public Libraries	L	37,729,520	231	M	L	L	L	L	L	L	L	L	L	L	L	L	L	L
21	Recreation	L	30,528,520	136	M	L	M	L	M	L	L	M	L	L	L	L	L	M	L
22	Regional Services Center	L	4,290,360	33	L	L	L	L	L	M	M	L	L	M	L	M	L	L	L
23	Sheriff	M	21,313,120	176	L	M	M	L	H	M	H	H	M	L	M	H	L	L	M
24	Technology Services	H	31,844,190	163	M	H	M	H	H	M	H	L	M	H	H	H	H	M	H
25	Transportation	H	189,172,970	1,313	H	H	H	H	H	H	H	H	M	M	H	H	M	H	H
TOTAL COUNTY DEPARTMENTS			1,636,333,410	8,336															

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Risk Assessment Heat Map by Department

	Department or Office	Overall Risk Rating	Budget FY10 (\$)	Full-Time Employees FY10	LIKELIHOOD											IMPACT			
					Budget Risk	Strategic Risk	Financial Operations Risk	Information Technology Risk	Legal & Regulatory Risk	Integrity/ Fraud Risk	Customer Service / Delivery Risk	Environment, Health & Safety Risk	Personnel / HR Risk	Information & Communication Risk	Overall Likelihood	Reputation Impact	Business Operations Impact	Financial Impact	Overall Impact
					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
26	Cable Television	L	11,574,470	11	L	L	L	L	M	L	M	L	L	L	L	L	L	L	L
27	Non-Departmental Accounts*	M	141,679,230	6	H	L	L	L	M	M	L	L	L	L	L	L	L	M	M
28	Urban Districts	L	7,932,220	32	L	L	L	L	L	L	M	M	L	L	L	M	L	L	L
29	Utilities	L	27,282,900	0	L	L	M	L	L	L	L	L	L	L	L	L	L	M	L
TOTAL OTHER COUNTY FUNCTIONS			188,468,820	49															
TOTAL OPERATION BUDGET FY10			1,824,802,230	8,385															
31	Capital Improvement Program	H	1,874,107,000		H	M	M	M	H	H	H	H	M	M	H	H	H	H	H
TOTAL CIP BUDGET FY09-FY14 amended in FY10			1,874,107,000																

Appendix B – Audits by Department

Appendix B presents the Audits by Department. For each of the 112 audits presented, we have provided risk and impact ratings. Our assessment of risk for individual audits is based on the information gathered throughout the risk assessment and our professional judgment. In total, 26 audits were rated high risk, 68 moderate risk, and 18 low risk.

Montgomery County, MD
 County-Wide Risk Assessment and Multi-Year Audit Plan for the Executive Branch Departments
Audits by Department

Audit by Department	Audit Ratings	Budget FY10 (\$)	Full-Time Employees FY10	Overall Risk Rating	LIKELIHOOD											IMPACT			
					Budget Risk	Strategic Risk	Financial Operations Risk	Information Technology Risk	Legal & Regulatory Risk	Integrity/ Fraud Risk	Customer Service / Delivery Risk	Environment, Health & Safety Risk	Personnel / HR Risk	Information & Communication Risk	Overall Likelihood	Reputation Impact	Business Operations Impact	Financial Impact	Overall Impact
					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1 Board of Elections		4,468,770	28	L															
2 Community Use of Public Facilities		9,169,440	25	L															
2A Revenue Fees (Collection/Handling)	M					L	L	M	L	H	M	L	L	L	M	M	L	M	M
2B Fee Remittance (Payment to School System)	L					L	L	L	M	L	L	L	L	L	L	L	L	L	L
3 Correction and Rehabilitation		65,414,400	548	M															
3A Contract (Monitoring/Management)	M					M	M	L	M	M	L	L	L	M	M	M	M	M	M
3B Inmate Property/Trust Fund (Handling)	M					L	L	M	M	H	M	L	L	L	M	M	L	L	L
3C IT Inmate Management System (Procurement/ Implementation)	M					M	M	H	L	M	L	L	L	M	M	M	H	M	M
3D Payroll (Return to Work and Sick Leave Policies)	M					M	M	L	M	M	L	L	H	L	M	L	M	L	L
3E Procurement (Sole Source/Non Competitive)	M					M	M	L	M	M	M	M	L	L	M	M	M	M	M
3F Revenues Fees (Collections and Handling)	L					L	L	L	L	M	M	L	L	L	L	L	L	M	L
4 County Attorney		5,224,980	72	M															
4A Revenue - Code Enforcement (Collection/Handling)	L					L	L	L	M	L	L	L	L	L	L	L	L	L	L
4B Revenue - Debit Collection (Collection/Handling)	L					L	L	L	M	L	L	L	L	L	L	L	L	L	L
5 County Executive		6,602,300	49	M															
5A Compliance - Delegations Matrix	M					L	M	L	L	M	L	L	M	M	M	M	M	H	M

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					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
6 Economic Development		10,328,240	46	L															
6A Grant Compliance (Federal/State)	M					L	L	L	M	M	M	L	M	L	M	M	L	L	L
6B Grant (Acquisition, Management, Monitoring)	L					M	L	L	M	M	M	L	M	L	M	M	L	L	L
7 Emergency Management and Homeland Security		1,346,940	9	L															
7A Compliance (Title 3 Hazardous Materials Storage)	M					M	L	L	H	L	L	H	L	H	M	M	M	H	M
7B Contract (Monitoring/Management)	L					L	L	L	L	L	L	L	L	M	L	L	L	L	L
7C Grant (Acquisition, Management, Monitoring)	L					L	L	L	L	L	L	L	L	L	L	L	L	L	L
8 Environment Protection		114,371,500	150	M															
8A Compliance Solid Waste (State/Federal Permits)	M					H	L	L	H	L	L	H	L	L	M	M	L	M	M
8B Revenues Solid Waste Fees (Collections and Handling)	M					M	M	M	L	H	M	L	M	L	M	M	M	M	M
8C Disability (Eligibility)	L					L	L	L	M	M	L	L	L	L	L	L	L	L	L
8D Workman's Compensation (Eligibility)	L					L	L	L	M	M	L	L	L	L	L	L	L	L	L
9 Finance		58,319,410	124	H															
9A Follow up - Treasury Risk Assessment	H					H	M	H	M	H	H	L	M	M	H	H	H	H	H
9B Accounts Payable (Payment Authorization)	M					M	M	M	L	M	M	L	M	M	M	M	M	M	M
9C Accounts Payable (Purchase Card Program)	M					M	M	M	L	H	M	L	L	L	M	M	M	M	M
9D Cash/Investment Management (Cash Forecast)	M					M	M	M	M	M	L	L	M	M	M	M	M	M	M

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						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	9E Compliance - Delegations Matrix	M					L	M	L	L	M	L	L	M	M	M	M	M	H	M
	9F MC Time (Compliance with Agreements/ Management Usage)	M					M	M	M	M	M	M	L	L	M	M	L	M	M	M
	9G Payroll (Application of Increases/Overtime)	M					L	M	M	M	M	M	L	M	M	M	M	M	M	M
	9H Policy and Procedures (Formally documented and compiled)	M					L	M	L	L	M	M	L	M	M	M	M	M	L	M
	10 Fire and Rescue Service		193,718,620	1,298	H															
	10A Capital Improvement (Monitoring/Management)	H					H	M	L	M	M	M	M	L	L	M	M	H	H	H
	10B Contract (Monitoring/Management)	H					H	M	L	M	M	M	M	L	M	H	M	H	H	H
	10C Disability (Eligibility)	H					M	L	L	H	H	L	M	H	L	H	M	M	M	M
	10D Fuel Management (Usage)	M					M	M	L	L	M	M	M	L	L	M	M	M	M	M
	10E Inventory EMS Supplies (Management)	M					M	H	L	L	M	H	M	L	L	M	H	M	M	M
	10F Inventory EMS Portable Equipment (Management)	M					M	H	L	L	M	H	M	L	L	M	H	M	M	M
	10G Overtime (Staff Planning)	M					M	M	L	M	H	L	M	H	L	M	M	M	M	M
	10H Procurement (Sole Source/Non Competitive)	M					H	H	L	M	M	L	M	L	L	M	M	M	M	M
	10I Volunteer Departments (County Funds/ Expenses)	M					M	H	L	L	H	M	M	L	M	M	M	M	M	M
	11 General Services		34,499,440	250	H															
	11A Contract (Monitoring/Management)	H					H	M	L	M	M	M	L	L	M	H	M	H	H	H
	11B Procurement (Sole Source/Non Competitive)	H					H	M	L	L	H	M	L	L	M	H	M	H	H	H

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						Budget Risk	Strategic Risk	Financial Operations Risk	Information Technology Risk	Legal & Regulatory Risk	Integrity/ Fraud Risk	Customer Service / Delivery Risk	Environment, Health & Safety Risk	Personnel / HR Risk	Information & Communication Risk	Overall Likelihood	Reputation Impact	Business Operations Impact	Financial Impact	Overall Impact
						1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
11C	CIP Projects (Monitoring/Management)	M					H	M	M	M	M	M	M	M	M	M	M	H	M	M
11D	Facilities (Management)	M					M	M	L	M	L	M	M	L	L	M	M	M	M	M
11E	Inventory (Management)	M					M	M	M	L	M	M	L	L	M	M	L	M	M	M
11F	County Vehicles (Usage)	L					L	L	L	L	H	L	M	L	L	L	M	L	L	L
11G	Fleet (Gas Usage/Cross Charge for Services)	L					L	L	L	L	H	L	L	L	L	L	M	L	M	M
12	Health and Human Services		268,570,740	1,372	H															
12A	Contract (Monitoring/Management)	H					H	M	L	H	H	H	M	M	M	H	M	H	H	H
12B	Grant (Acquisition, Management, Monitoring)	H					H	M	M	H	M	H	M	M	M	H	M	H	H	H
12C	Grant Acquisition (Management/Monitoring) - ARRA	H					H	H	M	H	M	H	M	M	M	H	M	H	H	H
12D	Facilities (Capital Improvements)	M					M	L	L	M	L	M	M	L	L	M	L	M	M	M
12E	Facilities (Deferred Maintenance)	M					M	L	L	M	L	M	M	L	L	M	L	M	M	M
12F	Fiscal Team (Transaction Authorization)	M					M	H	L	L	M	L	L	L	M	M	L	H	M	M
12G	Hiring/Contracting of Labor	M					H	M	L	M	M	H	L	M	L	M	M	H	M	M
12H	IT ERP Integration	M					M	M	H	L	L	M	L	L	M	M	L	H	M	M
12I	IT Systems - HIPPA Compliance	M					M	M	H	H	L	L	L	L	M	M	H	M	M	M
13	Housing and Community Affairs		43,777,590	80	M															
13A	Contract (Monitoring/Management)	M					M	H	L	M	M	M	L	L	M	M	M	H	M	M

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					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
13B Follow up - Housing Initiative Fund Risk Assessment	M					M	H	L	L	M	L	L	M	M	M	M	M	M	M
13C Grant (Acquisition, Management, Monitoring)	M					M	M	M	M	H	M	L	M	M	M	M	M	M	M
13D Revenue Fees and Licenses (Collections and Handling)	M					M	M	M	L	M	M	L	M	L	M	M	M	M	M
13E Transaction Approval Matrix (Approvals/Related Party Transactions)	M					L	M	L	L	M	L	L	M	M	M	M	M	M	M
14 Human Resources		182,823,230	80	H															
14A Benefit Audits - Eligibility / Accrual (Health, Disability, Workers Comp, Pension)	H					H	H	M	M	M	H	L	M	M	H	H	M	H	H
14B Benefit Audits- Payments/Expenses (Health, Disability, Pension)	H					H	H	M	M	M	H	L	M	M	H	H	M	H	H
15 Intergovernmental Relations		904,400	5	L															
16 Liquor Control		44,495,260	257	M															
16A Inventory (Management)	H					H	M	M	M	H	L	L	L	L	H	L	H	H	H
16B IT Post Implementation Review (Point of Sale/Inventory)	H					H	M	H	L	M	M	L	L	H	H	M	H	M	M
16C Revenue (Sales/Cash Handling)	H					H	H	M	M	H	M	L	L	M	H	M	H	H	H
16D Procurement (Purchase Agreements)	M					H	M	L	M	H	L	L	L	L	M	M	H	M	M
16E Workman's Compensation (Eligibility)	L					L	L	L	M	M	L	H	H	L	M	L	L	L	L
17 Office of Management and Budget		3,703,890	33	L															
18 Permitting Services		27,067,180	226	M															

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					Budget Risk	Strategic Risk	Financial Operations Risk	Information Technology Risk	Legal & Regulatory Risk	Integrity/ Fraud Risk	Customer Service / Delivery Risk	Environment, Health & Safety Risk	Personnel / HR Risk	Information & Communication Risk	Overall Likelihood	Reputation Impact	Business Operations Impact	Financial Impact	Overall Impact	
					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
18A	Follow up - Commercial Building Fee Calculation Audit	M					L	M	M	M	M	M	L	M	L	M	M	L	L	L
18B	Permit Fees (Calculation/Collection)	M					M	M	M	M	M	M	L	M	L	M	M	M	M	M
19	Police		246,648,400	1,632	H															
19A	Contract (Monitoring/Management)	H					H	M	L	M	M	M	M	L	M	H	M	H	H	H
19B	Disability (Eligibility)	H					M	L	L	H	H	L	M	H	L	H	M	M	M	M
19C	Overtime (e.g., court appearances /timekeeping)	H					M	M	M	H	H	L	L	M	L	H	M	M	M	M
19D	IT Systems - Support Contracts for Legacy Systems	M					M	L	H	L	L	L	L	L	M	M	L	H	M	M
19E	IT Systems Purchases (Grant/CIP/ Vendors)	M					M	L	H	L	M	M	L	L	M	M	L	H	M	M
19F	Revenue Fees and Licenses (Collections and Handling)	M					M	H	L	M	H	M	L	L	L	M	M	M	M	M
19G	Grant (Acquisition, Management, Monitoring)	L					M	L	L	M	M	M	L	L	L	L	L	M	L	L
19H	Secondary Employment of Officers(Personal vs County Time)	L					L	L	L	M	H	L	L	M	L	L	L	M	M	M
20	Public Libraries		37,729,520	231	L															
20A	Revenues Fines and Fees (Collections and Handling)	L					L	L	L	L	H	L	L	L	L	L	L	L	L	L
21	Recreation		30,528,520	136	L															
21A	CIP Projects (Monitoring/Management)	M					M	M	L	M	M	M	M	L	M	M	M	M	H	M
21B	Revenue Activity Fees (Collections and Handling)	M					L	L	M	L	M	M	L	L	M	M	L	M	M	M
22	Regional Services Center		4,290,360	33	L															

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					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
23 Sheriff		21,313,120	176	L															
23A Revenues Fees (Collections and Handling)	M					L	M	L	L	H	H	L	L	L	M	M	M	H	M
23B Grant (Acquisition, Management, Monitoring)	L					L	L	L	M	M	L	L	L	L	L	M	L	L	L
24 Technology Services		31,844,190	163	H															
24A IT Post Implementation Review (ERP)	H					H	H	H	M	L	H	L	M	H	H	H	H	H	H
24B IT Business Continuity (Disaster Recovery)	H					H	H	H	M	L	H	L	L	M	H	H	H	H	H
24C IT CIP Projects (Procurements e.g. ERP, MCTime)	H					H	M	H	M	M	M	L	M	M	H	H	H	H	H
24D IT Standards (Review/Department Compliance)	H					H	M	H	M	L	M	L	M	M	H	M	H	M	M
24E IT Post Implementation Review (MC Time)	M					M	M	H	M	L	H	L	M	M	M	M	M	M	M
24F IT Compliance (Payment Cards Industry Standard)	M					M	L	H	M	M	M	L	M	L	M	H	M	L	M
24G IT Compliance (Software Licensing / Usage)	M					L	M	M	M	M	M	L	L	L	M	M	M	M	M
24H IT Contracts (Monitoring/Management)	M					H	M	M	M	M	M	L	L	M	M	M	M	M	M
24I IT General Controls Review	M					M	M	H	M	M	M	L	L	L	M	M	M	M	M
24J IT Governance	M					H	L	H	M	L	M	L	L	H	M	M	H	M	M
24K IT Inventory	M					M	M	M	L	H	M	L	L	L	M	L	M	L	L
24L IT Risk Assessment	M					H	M	H	M	L	L	L	M	M	M	M	M	M	M
24M IT Standards (Asset Disposal)	M					L	L	M	M	M	L	M	L	L	M	M	M	L	M

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					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
25 Transportation		189,172,970	1,313	H															
25A Capital Improvement (Monitoring/Management)	H					H	M	L	M	M	H	H	L	M	H	M	H	H	H
25B Contract (Monitoring/Management)	H					H	M	L	M	M	H	M	L	M	H	H	H	M	H
25C Grant (Acquisition, Management, Monitoring)	M					L	M	L	H	M	M	L	L	M	M	L	M	M	M
25D Grant Parking District Services (Acquisition, Management, Monitoring)	M					L	M	L	M	M	M	L	L	L	M	L	M	M	M
25E Inventory Department Warehouse (Management / IT Systems)	M					L	M	H	L	H	L	M	L	L	M	L	M	M	M
25F IT Systems (Replacement Planning/Legacy)	M					L	L	H	L	L	M	L	L	M	M	L	H	M	M
25G Procurement (Sole Source/Non Competitive)	M					L	L	L	L	M	M	L	L	L	L	L	H	M	M
25H Revenue Parking District Services Fees and Fines (Collections and Handling)	M					M	M	M	L	H	M	L	L	L	M	M	M	M	M
25I Revenue Transit Services (Sales/Cash Handling/Stores)	M					M	M	M	L	H	H	M	M	M	M	M	M	M	M
25J Compliance (Travel)	L					L	L	L	L	M	L	L	L	L	L	L	L	L	L
TOTAL COUNTY DEPARTMENTS		1,636,333,410	8,336																
Other County Functions																			
26 Cable Television		11,574,470	11	L															
26A Contract - Cable Agreements (Monitoring/Management)	M					L	M	L	L	M	M	L	L	M	M	L	L	L	L
27 Non-Departmental Accounts*		141,679,230	6	M															
27A Grants Community Grants Awarding (Management/Monitoring)	M					H	M	L	L	H	H	L	L	L	M	M	M	M	M
27B Grants Arts and Humanities Council - Awarding (Management/Monitoring)	M					M	M	L	L	H	H	L	L	L	M	M	M	M	M

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					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
28 Urban Districts		7,932,220	32	L															
29 Utilities		27,282,900	-	L															
29A Utility Bill (Discount/Coverage)	M					L	M	L	L	L	L	L	L	L	L	L	L	M	L
TOTAL OTHER COUNTY FUNCTIONS		188,468,820	49																
TOTAL OPERATION BUDGET FY10		1,824,802,230	8,385																
Capital Improvement Program																			
30 Capital Improvement Program		1,874,107,000		H															
30A Contract (Change Order Management)	H					M	M	M	M	H	H	M	M	M	H	M	H	H	H
30B Contract (Monitoring/Management)	H					H	M	L	H	M	M	L	H	M	H	M	H	H	H
30C Project (Estimation of Cost)	H					H	H	M	L	M	H	M	M	L	H	M	M	H	M
30D Contract (Close Out)	M					M	M	L	M	M	M	L	M	M	M	M	M	M	M
30E Project (Close Out)	L					M	L	L	L	M	M	L	M	L	L	L	L	L	L
TOTAL CIP BUDGET FY09-FY14 as amended in FY10		1,874,107,000																	

Appendix C – Audit Plan Years 1-3

Appendix C presents our proposed three year audit plan. All of the audits identified as high risk in Appendix B are included in the proposed three year plan. In addition, we have included five (5) audits rated as moderate risk in Appendix B as part of the plan. These moderate risk audits were selected based upon: (1) their broad impact on County-wide operations or processes; (2) specific recent audit related findings; or (3) audit coverage for a specific department.

The estimated range of audit hours was determined based on a preliminary assessment of the audit specific risks and corresponding audit objectives. We generally will undertake each audit in a two-step approach. Step one will encompass detailed planning and scoping, including the specific audit tasks to be performed. Step two will consist of audit execution and reporting. The preliminary objectives of each audit are presented in Appendix E. The proposed scheduling of audits by fiscal year was developed in consideration of the following:

- For departments with multiple audits proposed, we have attempted to spread those audits across the entire plan rather than concentrate them into a single year.
- For IT post-implementation reviews (ERP, MCTime, Liquor Control), we have given consideration to the planned implementation schedule.
- Certain high risk audits have been included in year 1 based on specific concerns raised by management during the performance of the risk assessment.
- To ensure audit of certain functions (e.g., contracting, inventory, IT) are performed every year.
- We attempted to spread the aggregate audit hours in a balanced manner across the three fiscal years of the audit plan.

Montgomery County, MD
County-Wide Risk Assessment and Multi-Year Audit Plan for the Executive Branch Departments
Audit Plan Year 1-3

Audit Number	Department	Audit	Overall Rating	Estimated Hours Range		Plan Year		
						1	2	3
9A	Finance	Follow up - Treasury Risk Assessment	H	200	250		√	
10A	Fire and Rescue Service	Capital Improvement (Monitoring/Management)	H	300	400			√
10B	Fire and Rescue Service	Contract (Monitoring/Management)	H	400	500	√		
10C	Fire and Rescue Service	Disability (Eligibility)	H	400	500		√	
11A	General Services	Contract (Monitoring/Management)	H	600	800		√	
11B	General Services	Procurement (Sole Source/Non Competitive)	H	250	350		√	
12A	Health and Human Services	Contract (Monitoring/Management)	H	1,000	1,500	√		
12B	Health and Human Services	Grant (Acquisition, Management, Monitoring)	H	800	1,000		√	
12C	Health and Human Services	Grant (Acquisition, Management, Monitoring) - ARRA	H	300	400	√		
14A	Human Resources	Benefit Audits - Eligibility / Accrual (Health, Disability, Workers Comp, Pension)	H	600	800			√
14B	Human Resources	Benefit Audits- Payments/Expenses (Health, Disability, Pension)	H	600	800	√		
16A	Liquor Control	Inventory (Management)	H	400	500			√
16B	Liquor Control	IT Post Implementation Review (Point of Sale/Inventory)	H	150	250	√		
16C	Liquor Control	Revenue (Sales/Cash Handling)	H	400	500		√	
19A	Police	Contract (Monitoring/Management)	H	400	500			√
19B	Police	Disability (Eligibility)	H	400	500		√	
19C	Police	Overtime (e.g., court appearances /timekeeping)	H	450	550	√		
24A	Technology Services	IT Post Implementation Review (ERP)	H	250	400	√		
24B	Technology Services	IT Business Continuity (Disaster Recovery)	H	200	300		√	
24C	Technology Services	IT CIP Projects (Procurements e.g. ERP, MCTime)	H	200	300		√	
24D	Technology Services	IT Standards (Review/Department Compliance)	H	300	400			√
25A	Transportation	Capital Improvement (Monitoring/Management)	H	800	1,000			√
25B	Transportation	Contract (Monitoring/Management)	H	500	600			√
30A	Capital Improvement Program	Contract (Change Order Management)	H	400	500			√
30B	Capital Improvement Program	Contract (Monitoring/Management)	H	800	1,000		√	
30C	Capital Improvement Program	Project (Estimation of Cost)	H	300	400	√		
9B	Finance	Accounts Payable (Payment Authorization)	M	500	600			√
9C	Finance	Accounts Payable (Purchase Card Program)	M	700	900	√		
13D	Housing and Community Affairs	Revenue Fees and Licenses (Collections and Handling)	M	300	400			√
24E	Technology Services	IT Post Implementation Review (MC Time)	M	150	250	√		
25E	Transportation	Inventory Department Warehouse (Management / IT Systems)	M	300	400		√	

Total Hours

13,350 17,550

Audit Year	Audits	Estimated Hours Range	
2011	10	4,325	5,975
2012	11	4,550	5,900
2013	10	4,500	5,700
Total Hours	31	13,375	17,575

Appendix D – High Rating Rationale Dashboard

In Appendix B, the Audit Universe by Department, CBH identified 112 potential audits that were individually risk rated. Of those, 26 received a rating of high. As evidenced in Appendix B, many factors were considered in developing the rating for an individual audit. Ultimately, the rating for each audit was a matter of professional judgment on the part of the risk assessment engagement team. Appendix D presents additional insight on those factors that were most influential on the engagement team when it came to assessing an individual audit as high risk.

As shown in the “dashboard” report, the principal influences on the risk ratings related to materiality (22 of 26 audits) and specific comments or concerns raised by Montgomery County management through interviews and surveys (21 of 26 audits). All 26 of the audits rated high risk had at least one of these factors noted, and 17 of the audits had both factors identified as a significant influence. Another key driver of high risk ratings included susceptibility to fraud, including the identification or implication that fraud has previously occurred. This was identified in 14 of the 26 high risk audits. Lastly, the engagement team was influenced by audits in two possible ways; in several cases, there had been no recent audits performed around some of these mission critical functions, or alternatively, a recent audit yielded results that we concluded warranted further audit coverage or follow-up. Audit history and results were a significant influence in 10 of the 26 high risk audits.

Montgomery County, MD
 County-Wide Risk Assessment and Multi-Year Audit Plan of the Executive Branch Departments
High Rating Rationale Dashboard

Audit Number	Department	Audit	Overall Rating	Materiality	Fraud	MCG Responses	Audits
9A	Finance	Follow up - Treasury Risk Assessment	H	√			√
10A	Fire and Rescue Service	Capital Improvement (Monitoring/Management)	H	√		√	
10B	Fire and Rescue Service	Contract (Monitoring/Management)	H	√		√	
10C	Fire and Rescue Service	Disability (Eligibility)	H		√	√	
11A	General Services	Contract (Monitoring/Management)	H	√		√	√
11B	General Services	Procurement (Sole Source/Non Competitive)	H	√	√	√	√
12A	Health and Human Services	Contract (Monitoring/Management)	H	√	√	√	√
12B	Health and Human Services	Grant (Acquisition, Management, Monitoring)	H	√	√	√	√
12C	Health and Human Services	Grant (Acquisition, Management, Monitoring) - ARRA	H	√	√	√	
14A	Human Resources	Benefit Audits- Payments/Expenses (Heath, Disability, Pension)	H	√	√	√	
14B	Human Resources	Benefit Audits - Eligibility / Accrual (Health, Disability, Workers Comp, Pension)	H	√	√	√	
16A	Liquor Control	Inventory (Management)	H	√	√	√	
16B	Liquor Control	IT Systems (Point of Sale/Inventory)	H	√		√	
16C	Liquor Control	Revenue (Sales/Cash Handling)	H	√	√	√	

Materiality - High transaction volume or significant dollars

Fraud - Susceptible to or prior identified fraud

MCG Responses - Interview or survey comments

Audit - Limited audit coverage or prior audit responses

Montgomery County, MD
 County-Wide Risk Assessment and Multi-Year Audit Plan of the Executive Branch Departments
High Rating Rationale Dashboard

Audit Number	Department	Audit	Overall Rating	Materiality	Fraud	MCG Responses	Audits
19A	Police	Contract (Monitoring/Management)	H	√		√	
19B	Police	Disability (Eligibility)	H		√	√	
19C	Police	Overtime (e.g., court appearances /timekeeping)	H		√	√	
24A	Technology Services	IT CIP Projects (Procurements e.g. ERP, MCTime)	H	√		√	
24B	Technology Services	IT Post Implementation Review (ERP)	H	√		√	
24C	Technology Services	IT Standards (Review/Department Compliance)	H			√	√
24D	Technology Services	IT Business Continuity (Disaster Recovery)	H	√			√
25A	Transportation	Capital Improvement (Monitoring/Management)	H	√			√
25B	Transportation	Contract (Monitoring/Management)	H	√	√	√	√
30A	Capital Improvement Program	Contract (Change Order Management)	H	√	√		
30B	Capital Improvement Program	Contract (Monitoring/Management)	H	√	√	√	√
30C	Capital Improvement Program	Project (Estimation of Cost)	H	√			

Materiality - High transaction volume or significant dollars

Fraud - Susceptible to or prior identified fraud

MCG Responses - Interview or survey comments

Audit - Limited audit coverage or prior audit responses

Appendix E – Audit Plan by Year

Appendix E presents the proposed internal audit plan by year as well as the preliminary objectives for each internal audit. These preliminary objectives are consistent for similar audits in different departments which may allow the County to consider opportunities to combine audits in cases where it makes sense from an efficiency and logistical standpoint. For instance, several audits have been identified in the Contract Monitoring and management area.

In reviewing the hours, note that annual hours range from 4,325 to 4,550 at the low end of the estimated range up to 5,700 - 5,975 at the high end of the range. This is consistent with our goal to balance the audit hours annually.

Montgomery County, MD
County-Wide Risk Assessment and Multi-Year Audit Plan of the Executive Branch Departments
Audit Plan Year 1

Audit Number	Department	Audit	Overall Rating	Estimated Hours Range		Objectives
10B	Fire and Rescue Service	Contract (Monitoring/Management)	H	400	500	Review and test the effectiveness of contractor monitoring policies and procedures to ensure that contractor performance is contractually compliant, contractors are being effectively tracked and that project changes and extensions are being properly handled.
12A	Health and Human Services	Contract (Monitoring/Management)	H	1,000	1,500	Review and test the effectiveness of contractor monitoring policies and procedures to ensure that contractor performance is contractually compliant, contractors are being effectively tracked and that project changes and extensions are being properly handled. Determine whether HHS contracting follows industry best practices and whether proper documentation is retained to evaluate contracts and whether an effective performance measurement system is in place for contract compliance.
12C	Health and Human Services	Grant (Acquisition, Management, Monitoring) - ARRA	H	300	400	Review and test whether grants being received from Federal and State sources were obtained in accordance with federal (Including OMB), state and county regulations. Review data at Recovery.gov to review its validity.
14B	Human Resources	Benefit Audits- Payments/Expenses (Heath, Disability, Pension)	H	600	800	Review and test whether benefit payments and expense incurred by the County were properly computed and accounted for and were validly made in accordance with existing policy and procedures and plan requirements.
16B	Liquor Control	IT Systems (Point of Sale/Inventory)	H	175	275	Review the Liquor Control's POS System Implementation Documentation and interview POS System Team members and Key End Users to determine the effectiveness of the implementation effort. In addition, conduct testing to validate implementation of key IT controls for effectiveness in areas such as IT general controls and application controls (as appropriate).
19C	Police	Overtime (e.g., court appearances /timekeeping)	H	450	550	Review and test whether overtime charged by police officers was authorized and earned in accordance with existing policies and procedures. Compare to best practices of other jurisdictions.
24A	Technology Services	IT Post Implementation Review (ERP)	H	250	400	Review the County's ERP Implementation Documentation and interview ERP Team members and Key End Users to determine the effectiveness of the implementation effort. In addition, conduct testing to validate implementation of key IT controls for effectiveness in areas such as IT general controls and application controls (as appropriate).
30C	Capital Improvement Program	Project (Estimation of Cost)	H	300	400	Review procedures to estimate the cost for projects included in the Capital Improvement Program to determine if estimates are calculated in accordance with policy and procedures, updated to reflect current cost, compared to actual project cost to detect cost overruns and used to monitor contractor progress to completion.
9C	Finance	Accounts Payable (Purchase Card Program)	M	700	900	County-wide evaluation and testing of purchase card transactions to verify that they are completed in accordance with policy and procedures and that disbursements are properly authorized, safeguarded and recorded. Compare to industry best practices.
24E	Technology Services	IT Post Implementation Review (MC Time)	M	150	250	Review the County's MC Time Implementation Documentation and interview MC Time Team members and Key End Users to determine the effectiveness of the implementation effort. In addition, conduct testing to validate implementation of key IT controls for effectiveness in areas such as IT general controls and application controls (as appropriate).
Total Hours			10	4,325	5,975	

Montgomery County, MD
 County-Wide Risk Assessment and Multi-Year Audit Plan of the Executive Branch Departments
Audit Plan Year 2

Audit Universe Number	Department	Audit	Overall Rating	Estimated Hours Range		Objectives
9A	Finance	Follow up - Treasury Risk Assessment	H	200	250	Review Finance Department's completion of action plan to address vulnerabilities identified in the Treasury Risk Assessment Report including systems segregation of duties, documentation of revenue receipt activities.
10C	Fire and Rescue Service	Disability (Eligibility)	H	400	500	Review and test whether fire and rescue officers receiving disability meet eligibility criteria and have followed the procedures to qualify for disability payments.
11A	General Services	Contract (Monitoring/Management)	H	600	800	Review and test the effectiveness of contractor monitoring policies and procedures to ensure that contractor performance is contractually compliant, contractors are being effectively tracked and that project changes and extensions are being handled in accordance with policies and procedures.
11B	General Services	Procurement (Sole Source/Non Competitive)	H	250	350	Review and test whether sole source contracts were awarded in accordance with policies and procedures and that contractor performance complied with contract terms.
12B	Health and Human Services	Grant (Acquisition, Management, Monitoring)	H	800	1,000	Review and test whether grant activities and spending are being appropriately tracked, evaluated for compliance, reported, and whether the purpose of the grant is being fulfilled. Review whether industry best practices for grant management are being followed.
16C	Liquor Control	Revenue (Sales/Cash Handling)	H	400	500	Review and test revenue transactions to ensure that proper, accurate and complete recording in the accounting records. Assess policies and procedures and compare to industry best practices.
19B	Police	Disability (Eligibility)	H	400	500	Review and test whether police officers receiving disability meet eligibility criteria and have followed the procedures to qualify for disability payments.
24B	Technology Services	IT Business Continuity (Disaster Recovery)	H	200	300	Review the County's existing disaster recovery and business continuity plan. Review the scope and boundaries of the business continuity plan, the business impact analysis from the loss/degradation of critical mission functions and the preventive, detective and corrective measures currently in place to address destructive events.
24C	Technology Services	IT CIP Projects (Procurements e.g. ERP, MCTime)	H	200	300	Review and test whether IT CIP projects were properly procured in accordance with existing policies and procedures and technology plans and if projected return on investment has been achieved.
30B	Capital Improvement Program	Contract (Monitoring/Management)	H	800	1,000	Review and test the effectiveness of contractor monitoring policies and procedures to ensure that contractor performance is contractually compliant, contractors are being effectively tracked and that project changes and extensions are being handled effectively.
25E	Transportation	Inventory Department Warehouse (Management / IT Systems)	M	300	400	Review and test the effectiveness of inventory control and tracking procedures. Evaluate the physical security of the inventory stock and its vulnerability to shrinkage.

Total Hours **11** **4,550** **5,900**

Montgomery County, MD
County-Wide Risk Assessment and Multi-Year Audit Plan of the Executive Branch Departments
Audit Plan Year 3

Audit Universe Number	Department	Audit	Overall Rating	Estimated Hours Range		Objectives
10A	Fire and Rescue Service	Capital Improvement (Monitoring/Management)	H	300	400	Review and test whether capital improvement projects within the Fire and Rescue Services department were completed in accordance with the approved Capital Improvement Budget and existing policies and procedures to ensure that the County has received proper value for its capital expenditures.
14A	Human Resources	Benefit Audits - Eligibility / Accrual (Health, Disability, Workers Comp, Pension)	H	600	800	Review and test whether employees and retirees receiving benefits were eligible for the payments in accordance with existing law and regulations and whether such payments were properly computed and accounted for.
16A	Liquor Control	Inventory (Management)	H	400	500	Review and test the effectiveness of inventory control and tracking procedures. Evaluate the physical security of the inventory stock and its vulnerability to shrinkage
19A	Police	Contract (Monitoring/Management)	H	400	500	Review and test the effectiveness of contractor monitoring policies and procedures to ensure that contractor performance is contractually compliant, contractors are being effectively tracked and that project changes and extensions are being properly handled. Determine whether Police contracting follows industry best practices and whether proper documentation is retained to evaluate contracts and whether an effective performance measurement system is in place for contract compliance.
24D	Technology Services	IT Standards (Review/Department Compliance)	H	300	400	Review the County's IT system for compliance with existing internal, external standards and best practices.
25A	Transportation	Capital Improvement (Monitoring/Management)	H	800	1,000	Review and test whether capital improvement projects within the Transportation department were completed in accordance with the approved Capital Improvement Budget and existing policies and procedures to ensure that the County has received proper value for its capital expenditures.
25B	Transportation	Contract (Monitoring/Management)	H	500	600	Review and test the effectiveness of contractor monitoring policies and procedures to ensure that contractor performance is contractually compliant, contractors are being effectively tracked and that project changes and extensions are being properly handled.
30A	Capital Improvement Program	Contract (Change Order Management)	H	400	500	Review and test the effectiveness of contract modification policies and procedures to ensure that contractor performance is contractually compliant, and contract changes are being effectively tracked and handled.
9B	Finance	Accounts Payable (Payment Authorization)	M	500	600	Evaluate and test the Accounts Payable payment process to verify that disbursements are properly authorized, safeguarded and recorded and that proper supporting documentation was retained.
13D	Housing and Community Affairs	Revenue Fees and Licenses (Collections and Handling)	M	300	400	Review and test the fees collected to determine that they are properly recorded in the accounting records and that revenue transactions are valid and accurate.

Total Hours **10** **4,500** **5,700**