

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



Review of Procurement Exempt County Programs

January 15, 2019

Highlights

Why MCIA Did this Assessment

The Montgomery County Office of Internal Audit (MCIA) conducted a review of specific aspects of the County's Procure to Pay operations, focused on agreements for programs that are exempt from, or not subject to, Montgomery County's (County) Procurement regulations (i.e., "Procurement-exempt"). The resulting report (MCIA-18-1; May 9, 2018) identified issues related to County controls and oversight related to a County program outsourced to vendors with responsibility for the disbursement of County funds.

Since the scope of the previous review was limited to one program (i.e., the County's incubator program), the current review examined transactions related to six (6) County programs not previously reviewed and that have been outsourced to a vendor with responsibility for the disbursement of County funds. In addition, thirty (30) invoices not related to the six programs were reviewed. The review was conducted by the accounting firm SC&H, under a contract with MCIA, and focused on transactions that were paid during the calendar years 2013 through 2017.

What MCIA Recommends

MCIA is making one recommendation to the Department of Finance to ensure adherence to updated policies/procedures that include requiring the Accounts Payable Section (Finance) to review each payment submitted with a Procurement-exempt commodity/payment code to determine whether the commodity/payment code was justified and, if so, that the proper code was applied.

January 2019

Review of Procurement-Exempt County Programs

What MCIA Found

Based on information obtained through the review, it appears that the County's role in the Procurement-exempt programs that were the focus of the review is appropriately managed and work for which County funds were paid was adequately monitored. The review did not identify instances in which a lack of segregation of duties and/or oversight by County personnel resulted in inappropriate payments of County funds to vendors.

MCIA identified instances where a Procurement-exempt commodity/payment code was improperly applied to completed County payments.

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Objectives

This report summarizes a two-phased (scoping and testing) program review performed by SC&H Group, under contract with the Montgomery County (County) Office of Internal Audit (MCIA). The review was focused on evaluating the oversight of the programs with transactions that were processed using a “Procurement-exempt” commodity/payment code, and the documentation supporting vendor payments.

Specifically, SC&H was engaged by the County to perform the following objectives:

1. Ensure that the Procurement-exempt vendor payments were appropriately supported, and
2. Evaluate whether the County’s oversight of the disbursement of taxpayer funds provided to third party vendors for the management of projects/programs on the County’s behalf was adequate.

This review was performed in accordance with the Statement on Standards for Consulting Services (SSCS) issued by the American Institute of Certified Public Accountants (AICPA). Proposed procedures were developed to meet the objectives stated above, and were reviewed and approved in advance by MCIA. The review was conducted in two phases:

- December 2017 – March 2018: The scoping phase was conducted with a focus on the County’s programs that have been outsourced to third party vendors that assumed responsibility for disbursement of County funds.
- May 2018 – August 2018: The testing phase was conducted that focused on documentation review and interviews with County departments that had payments identified during the scoping review.

Background

SC&H previously conducted an internal process and control review¹ performed at the request of the County that focused on understanding the roles and responsibilities of the Office and Procurement (Procurement), the Department of Finance, and Using Departments within the Procure to Pay (P2P) workflow, and how it was determined which categories of procurements and programs would be exempt from the County’s Procurement regulations².

Scoping Phase

MCIA’s review of the internal process and control review’s findings resulted in the County requesting a separate review focused on the identification of potential Procurement-exempt County programs managed by external vendors that might warrant additional inspection.

The scoping phase was conducted from December 6, 2017 to March 21, 2018. The objectives of the scoping phase of the review were to:

1. Identify County programs that have been outsourced to vendors responsible for the disbursement of funds,

¹ See Internal Control Review: Procurement to Pay – Specific Functions (MCIA-18-1; May 9, 2018); https://www.montgomerycountymd.gov/exec/Resources/Files/Internal_Control_Review_of_Procure_to_Pay_5-9-2018.pdf

²[http://library.amlegal.com/nxt/gateway.dll/Maryland/montgom/partiilocallawsordinancesresolutionsetc/chafter11bcontractsandprocurementnote?f=templates\\$fn=default.htm\\$3.0\\$vid=amlegal:montgomeryco_md_mc\\$anc=JD_Chapter11B](http://library.amlegal.com/nxt/gateway.dll/Maryland/montgom/partiilocallawsordinancesresolutionsetc/chafter11bcontractsandprocurementnote?f=templates$fn=default.htm$3.0$vid=amlegal:montgomeryco_md_mc$anc=JD_Chapter11B)

2. Assess the risk for potential misappropriation of County funds for the identified programs, and
3. Establish updated risk-based objectives at the conclusion of the scoping review to achieve during a follow-up review that focused on the assessment of outsourced County programs.

The scoping procedures resulted in the identification of payments made using Procurement-exempt commodity/payment codes that were not fully supported using documentation provided from the Accounts Payable Section. These payments were related to the six County projects/programs recommended for further evaluation.

Scope and Methodology

The testing phase was initiated in May 2018 with procedures completed in August 2018. The review focused on gathering information and support from the County personnel representing the departments identified as responsible for each of the payments selected for additional review during scoping. The scope of the review included the payments and programs associated with the following six vendors:

No.	Vendor	MCG Department
1	Maryland Department of Housing and Community Development	Housing and Community Affairs
2	Maryland-National Capital Park and Planning Commission	Finance
3	Maryland Stadium Authority	Economic Development
4	Maryland Transit Administration	Transportation
5	Montgomery Stroke & Turn	Recreation
6	United States Geological Survey	Environmental Protection

Additional Payments Selected for Testing

In addition to evaluating 11 payments from the six programs/projects listed above, the scope of the review included an additional set of 30 payments that were selected because the relationship of the Procurement-exempt commodity/payment code to the vendor being paid was not clear during the scoping phase. The following table presents the additionally-tested payment selection.

Sample	Code	Supplier Name	Invoice Number	Amount
1	99031	MOTOROLA SOLUTIONS INC.	41211865a	\$890,470.00
2	99031	MOTOROLA SOLUTIONS INC.	41211865A	\$890,470.00
3	99031	MOTOROLA SOLUTIONS INC.	41230681	\$4,050,000.00
4	99031	MOTOROLA SOLUTIONS INC.	41242390	\$1,362,288.00
5	99031	MOTOROLA SOLUTIONS INC.	8230161712	\$236,250.00
6	999063	CITY OF ROCKVILLE	V-ROCKVILLE062017	\$114,749.54
7	999063	CHEVY CHASE VILLAGE	V-CCVILL062017	\$5,021.51
8	999063	CITY OF TAKOMA PARK	CPOS-TAKOMA051817	\$121,730.95
9	999063	MONTGOMERY MUNICIPAL CABLE	CPOS-MMC051817	\$121,730.95
10	999063	MONTGOMERY MUNICIPAL CABLE	CPOS-MMC012317	\$118,876.32
11	99077	TRAINING OUTREACH LLC	0817FRSSR	\$11,916.04
12	99077	TRAINING OUTREACH LLC	0317FRSSR	\$5,459.72
13	99077	MUNICIPAL EMERGENCY SERVICES INC	IN1108591	\$230,437.50
14	99077	MUNICIPAL EMERGENCY SERVICES INC	IN1088876	\$7,852,325.00
15	99077	TANNER INDUSTRIES INC	40836	\$5,450.00
16	99046	UNIVERSAL SECURITY LLC	MCF1302-09	\$9,430.98

Sample	Code	Supplier Name	Invoice Number	Amount
17	99046	BRADLEY TECHNOLOGIES INCORPORATED T/A BTI SECURITY	11204	\$132,228.66
18	99046	BRADLEY TECHNOLOGIES INCORPORATED T/A BTI SECURITY	11006	\$138,226.03
19	99046	UNIVERSAL SECURITY LLC	MT3913	\$123,376.32
20	99046	UNIVERSAL SECURITY LLC	MT2413	\$125,810.76
21	999018	MONTGOMERY BLAIR HIGH SCHOOL	KIS2018	\$1,000.00
22	999018	AIRSCHOTT INC	BBAL0006474	\$30,548.09
23	999018	BILL CONWAY FOR COUNCIL	12718	\$39,785.00
24	999018	MARC ELRICH FOR COUNTY EXECUTIVE	12918	\$40,215.08
25	999018	STATE OF MARYLAND	050818A	\$121,833.26
26	999018	MACKRO ASSOCIATES LLC	7151	\$255.00
27	999018	EINSTEIN HIGH SCHOOL	532608	\$1,504.20
28	999018	MCG DLC - MISC REFUNDS	ESCROW DEPOSIT	\$10,000.00
29	999018	FREDERICK P WINNER LTD	1919283	\$12,899.44
30	999018	CROWN IMPORTS	7545788RI	\$26,058.38

In order to achieve the objectives of this internal control review, the following procedures were performed.

Audit Program Creation

Based on the information obtained during the scoping phase, SC&H developed an audit program to gain further understanding of the processes, risks, and controls associated with each of the six programs selected and the associated payments reviewed, and to achieve control and gap-based objectives. The audit program included detailed steps to address each objective with the goal of assessing risk and identifying opportunities for improvement, where necessary. The following audit objectives were established based on scoping procedures:

1. Ensure that the Procurement-exempt vendor payments are appropriately supported.
2. Evaluate whether the County's oversight of the disbursement of taxpayer funds provided to third party vendors for the management of projects/programs on the County's behalf is adequate.

Documentation Review

During the information-gathering process, SC&H reviewed the contracts and/or memoranda of understanding (MOUs) that formalized each of the six programs. The procedures provided an understanding of the nature of the program and the County's roles and responsibilities.

The review also resulted in documenting the approvers who signed each agreement. Each agreement was approved in accordance with current County requirements and no exceptions were noted.

County Department	Vendor/ Program	Signoffs
Department of Recreation	Montgomery Stroke & Turn/ Swim Clinic Instructors	1: Director, Office of Procurement 2: Director, Department of Recreation
Department of Housing and Community Affairs	State of Maryland's Department of Housing and Community Development (MDHCD)/ Homeowners Preserving Equity Program	1: Secretary, MDHCD 2: Assistant Attorney General 3: Director, Department of Housing and Community Affairs (DHCA) 4: Associate County Attorney

County Department	Vendor/ Program	Signoffs
Department of Housing and Community Affairs	State of Maryland's Department of Housing and Community Development (MDHCD)/ Montgomery Homeownership Program	1: Secretary, MDHCD 2: Assistant Attorney General 3: Deputy Director, DHCA 4: Associate County Attorney
Department of Environmental Protection (DEP)	US Geological Survey (USGS)/ Geomorphology study: Ten Mile Creek	1: Assistant Chief Administrative Officer (ACAO) 2: Director, USGS
Department of Environmental Protection	US Geological Survey: Continuous water monitoring: Paint Branch	1: ACAO 2: Director, USGS
Department of Finance	Maryland Stadium Authority (MSA): Conference Center Parking Garage	1: Executive Director, MSA 2: ACAO 3: Director, Montgomery County Department of Transportation (DOT) 4: Director, Department of Economic Development 5: Assistant Attorney General 6: Associate County Attorney
Department of Finance	M-NCPPC/ Parks development and maintenance	1: CAO 2: Secretary-Treasurer, M-NCPPC 3: Executive Director, M-NCPPC 4: County Executive
Department of Transportation (DOT)	Maryland Transit Administration (MTA)/ Purple Line construction	1: CAO 2: County Attorney 3: Acting Director, DOT 4: Director, Department of Permitting Services 5: Director, DEP 6: Witness 7: Administrator, MTA 8: Program Control Officer 9: Project Director 10: Assistant Attorney General

Program Understanding

SC&H interviewed County personnel representing the departments identified as responsible for each of the payments selected for review. The focus of each interview was to:

1. Develop a detailed understanding of the purpose of each program, the relationship between the vendor(s) and the County, and the department's oversight of the program, and
2. Determine if the amount of each payment agreed with the amounts on the supporting documentation (i.e. invoices, agreements, etc.) and if each payment was appropriately reviewed and approved prior to payment.

The following information provides a summary of the information obtained through each department interview.

Recreation Department

SC&H met with the Aquatics Manager, the Aquatics Program Manager, and a department Administrative Specialist. Through inquiry, SC&H noted that the vendor used for both identified payments, Montgomery Stroke & Turn, has been utilized since 1992 to provide instructors to improve the swimming skills of children ages four to 18. Further, it was noted through inquiry that

the program is not exempt from County procurement regulations. Vendors were identified and selected through the procurement process. The Office of Procurement (“Procurement”) confirmed that this vendor was properly procured through an open solicitation, to which other qualified vendors could also respond.

According to the terms of the contract, the County pays the vendor three times per year based on completed Instructor Forms, which are filled out for each class taught by vendor instructors. The vendor receives 60% of the total registered amount received per class. As noted with the payments that were selected for review, the invoices are processed by a Fiscal Assistant or Office Service Coordinator in the Recreation Department, with a final approval from a manager and accountant also in the Recreation Department, prior to forwarding for processing and payment through the County’s Accounts Payable Section (Department of Finance). Based on the procedures performed, no findings were noted.

Department of Housing and Community Affairs (DHCA)

SC&H met with the DHCA Division of Finance and Administration Chief, the Community Programs Administrator, and the Acting Division Chief. Through inquiry, SC&H determined that the three payments selected for further testing were paid by the County to the State of Maryland’s Department of Housing and Community Development for participation in two state-run programs: Homeowners Preserving Equity Program (foreclosure prevention counseling services) and the Montgomery Homeownership Program (down payment assistance).

Homeowners Preserving Equity Program

The Community Programs Administrator manages the program for the Homeowners Preserving Equity Program payment. The first agreement was signed in 2008 by the former Director, and there have been nine amendments to the MOU since the original was signed. The County attends quarterly meetings with each of the contracted counseling providers, to which the County and State are both invited. The Community Programs Administrator also conducts site visits when there are triggering factors, such as specific issues reported, or a high turnover in staff.

The County provides a total of \$255,000 to the three contracted counseling providers, with a request for the State to match (the State actually provided more than \$255,000 in FY2018). There is an internal meeting conducted between the County and the State to determine how the money is split between the three contracted counseling providers. The payment that we selected for review was approved by the Division of Finance and Administration Chief and was sent to the Accounts Payable Section for additional review and approval since the amount of the payment was over \$10,000. Based on the procedures performed, no findings were noted.

Montgomery Homeownership Program

For the two Montgomery Homeownership Program payments, the funds were paid to the State’s Department of Housing and Community Development from the County’s Montgomery Housing Initiative Fund. The purpose of the payment is to provide down payment assistance to County residents in conjunction with State support. The Mortgage Purchase Program makes zero-interest loans to people buying homes and who are income-qualified. Potential applicants apply through the State, not the County. The loan amounts changed from \$40,000 to \$25,000 recently and are underwritten by the State. The County has the right to inspect any loan documents or notes if warranted; however, the County has not exercised the right to audit because the program is audited by the State and Federal agencies, and housing groups.

The State provides a list of housing loan recipients on a monthly basis, which is the basis for the payments. The Acting Division Chief reviews the listing to ensure the addresses are located within County boundaries. The Office Service Coordinator processes the invoices, and the Division of Finance and Administration Chief signs-off on the invoices. The two payments that we selected for review were approved by the Acting Division Chief and the Office Service Coordinator and were also sent to the Accounts Payable Section for review and approval since they were over \$10,000. Based on the procedures performed, no findings were noted.

Department of Environmental Protection (DEP)

SC&H met with the Deputy Director, the Senior Water Quality Specialist, the Acting Division Chief, the Procurement Manager, and the Water Quality Specialist. Through inquiry, SC&H confirmed that the two payments selected were paid to the United States Geological Survey (USGS). The County has worked in conjunction with the USGS since 2004 to maintain and operate flow gauges that measure discharge and volume of water in County streams/rivers. The USGS physically maintains the gauges, installs them, and generates reports for them, with the County contributing to help with the funding. The amount of payment from the County is dependent on the amount of Federal money contributed, which fluctuates on an annual basis.

SC&H validated that the first of the two payments was signed off by the Senior Water Quality Specialist and the Acting Division Chief, and was approved by two Senior Financial Specialists in Oracle. The second of the two payments included an incorrect payment amount that was \$3,000 higher than the invoice requested due to a transcription error. This payment was also approved by the Senior Quality Specialist and the Acting Division Chief. The DEP provided documentation to evidence that the transcription error was recognized by the department after the payment was completed, and the USGS issued a \$3,000 credit on the subsequent invoice. As the issue was previously identified and resolved by the DEP, no finding was noted.

Department of Finance

SC&H met with the Controller, the Business Development Specialist, the Accounts Payable Manager, the Senior Financial Specialist, and the Special Projects Director from the Office of County Executive (OCE). Through inquiry, SC&H confirmed that the two payments were made to the Maryland Stadium Authority (MSA) and the Maryland-National Capital Park and Planning Commission (M-NCPPC).

Maryland Stadium Authority

In 2004, the Montgomery County Conference Center (MCCC) was opened in Bethesda, MD. The cost of the project was split evenly between the State and the County. The MSA issued the debt for the construction of the conference center and was also responsible for the vendor procurement and the management of the project. The County had one representative involved in vendor selection, but was not in a position to nominate or direct work to vendors.

The project for the parking garage began when the State sold land in Montgomery County and received \$21,000,000 in proceeds. At the County's request, the State agreed to use the proceeds for the purpose of constructing a parking garage for the conference center and the money was put into an escrow account. As with the conference center project, the construction of the parking garage is managed by the MSA.

The parking garage invoices are paid to the MSA from the County, which then requests reimbursement from the escrow account. For the payment selected for review, the Business Development Specialist prepared the payment request, and it was approved by the Special

Projects Director. The County provided an evidenced copy of the project drawdown schedule that supports the appropriateness of the invoice amount for payment 2563188. Based on the procedures performed, no finding was noted.

Maryland-National Capital Park and Planning Commission

In 1972, the County began outsourcing the development and maintenance of certain parks and park facilities to the M-NCPPC. The M-NCPPC is responsible for the development and construction of capital parks projects such as school ballfields, playgrounds, trails, and urban parks within the County. During the budget process each year, the M-NCPPC submits a list of proposed parks construction projects to the County, along with the costs for each, for consideration. The County Council annually approves the capital budget of the M-NCPPC. While County Council members may provide input as to which park projects should be completed, the M-NCPPC is responsible for selecting and completing the specific projects using the approved budget amount. For operating budget purposes, the County Council annually appropriates funding for parks operating and maintenance costs and approves a revenue transfer from the County to M-NCPPC for school ballfield maintenance.

The County's Senior Financial Specialist's role is to make sure that the appropriated amount is available and to reconcile the M-NCPPC GL expenditures to the reimbursement invoice amounts. Per discussion with Finance, and clarification received from the Office of Management and Budget, the appropriated amount is provided to the M-NCPPC, which identifies and completes projects using the funds. As part of the annual budget process and request for subsequent appropriations, the M-NCPPC presents its CIP report to the County Council, showing the work that was performed using the prior year's funding. M-NCPPC financial activities including expenditure disbursements for development and maintenance costs are subject to M-NCPPC internal processes and controls. Finance confirms that the M-NCPPC's requested reimbursement amounts do not exceed the appropriated funding; but is not required to validate the M-NCPPC's invoice amounts against detailed support for underlying expenditures.

For the M-NCPPC payment that was selected for review, the Senior Financial Specialist prepared the invoice submission form and the Controller approved the payment. SC&H agreed the invoice amount to the supporting documentation. Based on the procedures performed, no finding was noted.

Department of Transportation (DOT)

SC&H met with the Chief of the Design Section in Transportation Engineering and the Deputy Director/Chief Operating Officer of DOT. The two payments that were selected for review were related to the construction of the Purple Line by the Maryland Transportation Administration (MTA). Along with the construction of the Purple Line, there are three separate but related County-funded projects that run along the Purple Line alignment: the Capital Crescent Trail, the Silver Spring Green Trail, and South Entrance to the Bethesda Metro station. The Governor of Maryland required the County to contribute \$40,000,000 to these three projects and the overall Purple Line through 2021.

The MTA is responsible for vendor selection and directs all of the work completed for each of the projects. The County submits reimbursement payments to the MTA on a quarterly basis. The County provided SC&H with tables that define the calculations for the quarterly payments for each project. The two invoice amounts agreed to the amounts provided in the tables. The County also provided supporting documents for Invoice MC-0001A and MC-0003B that included completed Payment Approval sheets that contained approval signatures from the Chief of the Design Section

in Transportation Engineering and the Deputy Director. Based on the procedures performed, no finding was noted.

Additional Payments Testing

SC&H and MCIA identified five Procurement-exempt commodity/payment codes for additional investigation. The Accounts Payable Section provided the population of completed payments that were associated with each of the selected Procurement-exempt commodity/payment codes during fiscal years 2013 through 2017. From the population, a sample of 30 payments was selected for further testing. Below are the results of the payment testing:

Canceled Payments: The Department of Finance noted that three of the 30 payments selected were canceled prior to payment. SC&H obtained documentation that evidenced the cancellation of each payment. Based on the procedures performed, no findings were noted. Below is the list of canceled payments:

Sample	Purchasing Category	Supplier Name	Invoice Number	Amount
1	99031	MOTOROLA SOLUTIONS INC.	41211865a	\$890,470.00
27	999018	EINSTEIN HIGH SCHOOL	532608	\$1,504.20
28	999018	MCG DLC - MISC REFUNDS	ESCROW DEPOSIT	\$10,000.00

Payments Using Improper Commodity/Payment Codes: Through inquiry with the Department of Finance, they acknowledged two payments from the County’s Public Election Fund were approved and processed by Finance, but improperly used the 999018 “Liquor” Procurement-exempt commodity/payment code, instead of code 999010 (“Executive Orders”).

Sample	Purchasing Category	Supplier Name	Invoice Number	Amount	Payment Description
23	999018	BILL CONWAY FOR COUNCIL	12718	\$39,785.00	Disbursement from the Public Election Fund
24	999018	MARC ELRICH FOR COUNTY EXECUTIVE	12918	\$40,215.08	Disbursement from the Public Election Fund

Through further investigation, two additional payments were identified that used the Liquor Procurement-exempt commodity/payment code when the payments should have been processed as direct purchases and “direct pay” payments.

1. Support for one payment included an email conversation stating police funds were being held in a DLC miscellaneous account to make payments for awards for a student Video Contest.
2. One payment was for DVDs related to a “Don’t Drink and Drive” campaign.

Sample	Purchasing Category	Supplier Name	Invoice Number	Amount	Payment Description
21	999018	MONTGOMERY BLAIR HIGH SCHOOL	KIS2018	\$1,000.00	Payment made as an award for a student video contest
26	999018	MACKRO ASSOCIATES LLC	7151	\$255.00	Payment made for DVDs related to a "don't drink and drive" campaign

Other Items to Note

SC&H notes per discussion with the Department of Finance that the County's Accounts Payable Section Policies document was revised in April 2018 and includes additional requirements specific to the justification for the use of Procurement-exempt commodity/payment codes, and the subsequent review by the Accounts Payable Section as part of the payment approval process. While the revised documents were reviewed, the scope of this review did not include the evaluation of the effectiveness of the revised processes.

Findings and Recommendations

Based on the testing performed, SC&H identified one finding related to Procurement-exempt County payments, as detailed below.

Ref #	Finding	Risk	Recommendation
1	Impacted: Montgomery County Instances exist where Procurement-exempt commodity/payment codes were improperly applied to County payments.	Improper application of Procurement-exempt commodity/payment codes could allow inappropriate payments to be processed and paid.	The County/Department of Finance should ensure adherence to updated policies/procedures that include requiring the Accounts Payable Section to review each payment submitted with a Procurement-exempt commodity/payment code to determine whether the commodity/payment code was justified and, if so, that the proper code was applied.

Comments and MCIA Evaluation

We provided the Department of Finance with a draft of this report for review and comment and Finance responded with comments on January 10, 2019; the response has been incorporated in the report at Appendix A. The Department of Finance concurred with the recommendation contained in the report, indicating that the department has already implemented enhancements to the relevant systems and procedures, and trained Account Payable staff on the revised checklists, forms, and procedures.

Appendix A: Department of Finance Response



DEPARTMENT OF FINANCE

Marc Elrich
County Executive

Alexandre A. Espinosa
Director

MEMORANDUM

January 10, 2019

TO: Bill Broglie, Internal Audit Manager
Office of the County Executive

FROM: Alexandre A. Espinosa, Director,
Department of Finance *KQH for AE*

SUBJECT: Formal Response to Recommendation from Review of Procurement Exempt
County Programs

Attached please find the Department of Finance formal response to the draft audit report referenced above. I appreciate the opportunity to provide information on actions taken by the Department of Finance that are responsive to this recommendation.

If you, or the audit firm working with you, have any questions relating to the attached, please contact Karen Hawkins, Chief Operating Officer, at 240-777-8828, or Lenny Moore, Controller, at 240-777-8802.

Attachment

cc: Fariba Kassiri, ACAO
Karen Q. Hawkins, COO, Finance
Lenny Moore, Controller, Finance

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**Finance Response to Recommendation
Review of Procurement Exempt County Programs
Conducted by the Office of Internal Audit**

Recommendation:

The County/Department of Finance should ensure adherence to updated policies/procedures that include requiring the Accounts Payable Section to review each payment submitted with a Procurement-exempt commodity/payment code to determine whether the commodity/payment code was justified and, if so, that the proper code was applied.

Finance Response:

The Finance Department concurs with this recommendation and has already implemented enhancements to relevant systems and procedures.

Accounts Payable invoice review checklists have been expanded and made more explicit regarding procedures performed to verify appropriate use of Procurement-exempt commodity/payment codes for transactions where such codes are required. System reporting was modified to identify on the invoice cover sheet the transactions subject to these verification procedures. Where appropriate, related invoice submission forms have also been modified to include pre-populated exempt codes. Accounts Payable staff have been trained on the revised checklists, forms, and procedures.