

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



**Contract Management Audit  
Montgomery County Department of Technology and  
Enterprise Business Solutions**

**August 14, 2025**

# Highlights

## Why MCIA Conducted this Audit

The Montgomery County Office of Internal Audit (MCIA) conducted an audit of Montgomery County Government's (County) contract management and compliance processes related to three contracts between the County and three Contractors (collectively, audit).

Each of the three Contractors have an active contract with the County, managed and administered by the Montgomery County Department of Technology and Enterprise Business Solutions (TEBS).

TEBS is responsible for contract management duties including ensuring funding is disbursed to support consulting and technical areas defined within the respective contract scopes of service, and ensuring the Contractor adheres to the specifications, terms, conditions, and prices documented in the respective contract.

The audit focused on the following within TEBS:

1. Processes and controls when managing the in-scope contracts.
2. Compliance with respective contract terms and County requirements.
3. Compliance with respective contract scopes of service.

The audit was conducted by the accounting firm SC&H Group, Inc., under contract with MCIA.

**August 2025**

## Contract Management Audit

### Montgomery County Department of Technology and Enterprise Business Solutions

## What MCIA Found

Overall, the audit found that TEBS performs contract management operations that include processes and procedures designed to comply with contractual terms, scopes of service, and County requirements.

The audit also found that the processes and procedures include internal controls to mitigate risks. However, opportunities exist to improve certain contract management processes, risk mitigation activities, and compliance efforts.

MCIA identified five areas of improvement to strengthen processes and compliance activities within TEBS.

1. Enhanced Task Order Proposal Request templates
2. Document retention guideline/requirement development
3. Alignment with Contract requirements
4. Alignment with County policies and procedures
5. Enhanced Task Order maintenance and tracking

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# Objectives

This report summarizes the results of an audit of Montgomery County Government's (County) contract management and compliance processes related to three contracts between the County and the selected Contractors<sup>1</sup> (collectively, audit), managed by the County's Department of Technology and Enterprise Business Solutions (TEBS). The audit was performed by SC&H Group, Inc. (SC&H), under contract with the Montgomery County Office of Internal Audit (MCIA).

The objectives of the audit were to:

1. Evaluate County departmental processes and controls for managing the three selected Contractors' contracts, including reviewing and approving Contractor invoices under the pricing terms of the contract.
2. Evaluate County departmental processes and controls for complying with contractual terms, County requirements, and contractual scopes of services.

## Background

### Montgomery County Department of Technology and Enterprise Business Solutions (TEBS) Background

TEBS aims to provide responsive, collaborative, and innovative technology solutions and services to support the County's government operations. TEBS focuses on delivering cost-effective, timely, and high-quality services to improve efficiency, reduce costs, mitigate security risks, and enhance County services through process automation.<sup>2</sup>

TEBS is comprised of five operating divisions that are under the oversight of the Chief Information Officer (CIO):<sup>3</sup>

1. Office of the CIO
2. Office of Broadband Programs and Infrastructure Modernization
3. Office of Strategic Partnerships
4. Office of Digital Transformation
5. Office of Public Safety Programs & Regional Interoperability

The Office of the CIO manages the three in-scope contracts with the selected Contractors, referred to in this report as Contract 1, Contract 2, and Contract 3.

The County entered into Contract 1, Contract 2, and Contract 3 for information technology (IT) consulting and technical services.

1. Contract 1 and Contract 2 are Local Small Business Reserve Program (LSBRP) Consulting and Technical Services 3 (LCATS-3) contracts. The LSBRP is a County requirement that allows local, small businesses the opportunity to respond to solicitations before they are put out to bid to all possible vendors. The County has a

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<sup>1</sup> The contractors' names have been replaced with "Contractors" in the report and contract language references.

<sup>2</sup> Montgomery County Government, Department of Technology and Enterprise Business Solutions Website (<https://www.montgomerycountymd.gov/TEBS/>)

<sup>3</sup> Montgomery County Government, Department of Technology and Enterprise Business Solutions Organization Chart (<https://www.montgomerycountymd.gov/TEBS/orgchart.html>)

goal of awarding 25% (with specified exceptions) of their procurements for goods, services, and construction to registered and certified local, small businesses.<sup>4</sup>

2. Contract 3 is a Montgomery County Consulting and Technical Services 3 (MCCATS-3) contract.

Both LCATS-3 and MCCATS-3 contracts are utilized by TEBS to procure IT consulting and technical services for the County on an as needed basis. TEBS contracted with 12 LSBRP vendors and 12 non-LSBRP vendors to provide contractor support for all phases of the development life cycle for IT projects and systems.<sup>5</sup>

### County Using Departments

While TEBS oversees the three contracts, other County Using Departments can utilize these contracts for IT consulting and technical services within their respective departments. Using Departments have the authority to issue Task Orders (TOs) under the contracts, each managed by a Task Order Manager (TOM). TOMs are individuals within the Using Department that issued the TO. Although anyone in the County can serve as a TOM, they are typically in management positions.

The Using Departments reviewed during this audit are not named in this report, but instances where these Using Departments may perform additional or differing duties are documented throughout. Results related to the selected Using Departments were presented to the respective Using Departments separately.

### Task Order Process

Contract 1, Contract 2, and Contract 3 are similar in purpose and contract language and are summarized below.

### Task Order Proposal Requests

The County issues TOs to the Contractors to carry out all work under executed contracts. To initiate the TO process, the TOM creates a Task Order Proposal Request (TOPR) detailing the task specifications of the work to be performed or the labor category, in the case of a technical services TOPR. The TOM accesses SharePoint, the County's intranet site, downloads TEBS' respective TOPR template (LCATS-3 or MCCATS-3), and completes the applicable information. TOPRs specify the following:<sup>6</sup>

1. Scope of work or labor category,
2. Using Department's TOM,
3. Approximate start and completion dates,
4. Evaluation criteria,
5. Response deadline,
6. Other information pertinent to the work described in the TOPR, and
7. If appropriate, a Non-Disclosure Agreement with provisions above and beyond existing contract terms.

The TOM then emails the TOPR to the TEBS Contract Administrator for review and approval. Once the TOPR is approved, the TEBS Contract Administrator assigns the TOPR a unique TO

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<sup>4</sup> Montgomery County Government, Office of Procurement Website (<https://www.montgomerycountymd.gov/pro/dbrc/lbrp.html>)

<sup>5</sup> Montgomery County Government, SharePoint, LCATS-3 & MCCATS-3 Professional Services Webpages

<sup>6</sup> Contract 1, Contract 2, and Contract 3; Article 4.2

number, emails it back to the TOM, and emails it out to the respective list of 12 vendors. **Error! Bookmark not defined.** Per inquiry with TEBS, two County Using Departments email TOPRs directly to the respective list of 12 vendors themselves once received from the TEBS Contract Administrator.

#### Task Order Proposals

Vendors that wish to compete for the TOPR must submit a written Task Order Proposal (TOP) to the TOM by the date and time specified on the TOPR. TOPs must include the following:<sup>6</sup>

1. Scope of services,
2. Signed resumes of proposed personnel,
3. Documentation/evidence of any job-related credential or certification claimed on the resumes,
4. Schedule for completion or delivery date,
5. Estimation of hours and labor costs per deliverable, and
6. Statement of maximum compensation to be paid.

The TOM evaluates all TOPs received using the rating criteria specified in the TOPR and the standard LCATS-3/MCCATS-3 Rating Sheet on SharePoint. The Rating Sheet lists the vendors' names, the names of the proposed personnel, the hourly rates, and any notes from interviews.<sup>7</sup> Vendors are scored based on these criteria, and these scores are used to determine their suitability for selection.

Once a vendor is selected for recommendation to award, the TOM assembles a recommendation package and emails it to the TEBS Contract Administrator. The TOM emails the vendors who were not selected using the County's standard LCATS-3/MCCATS-3 Non-Award Email Template on SharePoint.<sup>5</sup> The recommendation package includes the following:<sup>8</sup>

1. Copy of TOPR,
2. Copy of TOP,
3. Copies of rating sheets for all TOPs received,
4. Copies of signed and dated resumes for selected candidate(s),
5. Copies of signed and dated contractor acknowledgements for selected candidate(s),
6. Copy of approved Oracle Requisition, and
7. Copy of approved Office of Management and Budget (OMB) Exception Form, if not exempted.<sup>9</sup>

The TEBS Contract Administrator emails the recommendation package to the CIO for review and approval. Once the recommendation is approved, the CIO forwards the recommendation to the Director of the Office of Procurement, who issues a County Purchase Order (PO) that references the respective TO by name and number. Upon receipt of the PO, the Contractor may commence performance consistent with the TOP and TOPR.

#### Task Order Pricing

TOs may be fixed-price or time and materials (T&M) with a not-to-exceed ceiling amount. Generally, fixed-price TOs are issued for consulting services, while T&M TOs are issued for

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<sup>7</sup> Montgomery County Government, SharePoint, LCATS-3 & MCCATS-3 Rating Sheets

<sup>8</sup> Montgomery County Government, SharePoint, LCATS-3 & MCCATS-3 Task Order Transmittal Checklists

<sup>9</sup> SC&H has been advised by TEBS that they are in the process of updating the Task Order Transmittal Checklists and their website to eliminate the reference to the OMB Exception Form, since the Form is no longer required.

technical services.<sup>10</sup> Labor rates are fixed hourly rates and are firm for a minimum of two years after contract execution. The labor rate categories include the following:<sup>11</sup>

1. IT Staff, Expert
2. IT Staff, Senior
3. IT Staff, Intermediate
4. IT Staff, Junior
5. IT Staff, Intern

TOs must also include maximum compensation limits; the Contractors cannot bill or incur any costs that exceed those limits. Contractors must not charge the County, nor will the County approve any additional amounts for travel, food, lodging, parking, or any other miscellaneous expenses.<sup>12</sup>

#### Task Order Modifications and Terminations

TOMs may terminate a TO at any time, for any reason, by issuing a written notice to the Contractor. Additionally, TOs may be modified within the scope of the TO with the concurrence of both the TOM and the Contractor. Terminations and modifications of TOs are documented by the Office of Procurement's issuance of a change order to the Contractor.<sup>6</sup>

#### Substitution and Replacement of Contractor Personnel

If, after the issuance of a TO, the TOM determines that services performed by Contractor personnel fail to meet County requirements and/or Contractor personnel is deemed unqualified for the required work, the TOM notifies the Contractor in writing, and the Contractor replaces the personnel within 10 days of the notification.<sup>13</sup>

If the Contractor wishes to replace personnel, the Contractor submits a substitution request to the TOM including a detailed explanation of the circumstances necessitating the substitution, a signed resume of the proposed substitute, and any other information requested by the TOM to decide the appropriateness of the proposed substitute. Proposed substitutions of personnel must have qualifications at least equal to that of the person initially proposed, evaluated, and accepted in the TO and at the existing rate in the TO. Upon review of the proposed substitution, the TOM notifies the Contractor in writing of the decision to approve or reject the replacement.<sup>13</sup>

#### Deliverable Acceptance Process

##### Acceptance Procedures for Document Deliverables

After the Contractor completes the document deliverable, the Contractor notifies the TOM in writing. The County then has 10 business days, unless a longer period is mutually agreed upon in the TO, to review the deliverable. If the County identifies any material non-conformities, the Contractor must correct them at their own expense and notify the County within 10 business days, or the agreed upon period, of the revised deliverable's availability. The County then re-reviews the revised deliverable within another 10 business days, or the agreed upon period. This cycle of reviewing and correcting continues until the deliverable meets the County's specifications or the County determines the Contractor cannot deliver a compliant product and terminates the respective TO.<sup>14</sup>

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<sup>10</sup> Contract 1, Contract 2, and Contract 3; Article 4.1

<sup>11</sup> Contract 1, Contract 2, and Contract 3; Article 11.1

<sup>12</sup> Contract 1, Contract 2, and Contract 3; Article 4.3

<sup>13</sup> Contract 1, Contract 2, and Contract 3; Article 5.3

<sup>14</sup> Contract 1, Contract 2, and Contract 3; Article 7.1

### Acceptance Procedures for Software Deliverables

After the Contractor completes development and internal testing of the software deliverable, the Contractor provides the TOM with a list of known non-conformities, installs the software in the test environment, and notifies the County in writing of the deliverable's availability. The County then has 12 business days, unless a longer period is mutually agreed upon in the TO, to conduct User Acceptance Testing (UAT) and report any material non-conformities. If the software meets the acceptance criteria, it is accepted; if not, the Contractor must correct the issues at their own expense. This cycle of testing and correcting continues until the software meets the acceptance criteria or the County decides the Contractor cannot deliver a compliant product and terminates the respective TO.<sup>15</sup>

After completing UAT, the Contractor, with the TOM's assistance, installs the software in the production environment and notifies the County, who starts a 30-day Production Acceptance Period to verify the software meets the specifications in the production environment. If the software satisfies the acceptance criteria by the end of this period, the County accepts it, and the Contractor is compensated as per the payment schedule. Otherwise, the cycle of testing and correcting will continue until the software meets the acceptance criteria or the County decides the Contractor cannot deliver a compliant product and terminates the respective TO.<sup>15</sup>

### Invoice Process

#### Timesheet Review and Approval

Contractor personnel email their timesheets to the respective TOM for review and approval.

1. Timesheets for Contract 1 and Contract 2 are submitted monthly.
2. Timesheets for Contract 3 are submitted weekly.

The respective TOM reviews the timesheets, electronically signs and dates them, and emails them back to the respective Contractor personnel. The Contractor personnel then submits their approved timesheets to the Contractor for invoicing.

#### Invoice Review and Approval

The Contractor submits invoices, along with the respective approved timesheets, to the respective TOM monthly. Contractor invoices must be accurate, in a format approved by the County, contain all elements outlined in the County Accounts Payable (AP) Policy, and submitted no later than the 10th day of the following month.<sup>16 17</sup>

The TOM compares the invoice against the approved timesheets, recalculates the invoice amount, electronically signs and dates the invoice, and emails it to another County employee within their department for a second review, approval, and signature. The County requires two signatures on every invoice. Once two signatures are obtained, the TOM emails the approved invoice to the County's Finance Department for payment.

In the event of an invoice discrepancy, the TOM attempts to resolve the issue with the Contractor's Program Manager. If the TOM and the Program Manager are unable to resolve the billing discrepancy, the matter is resolved through the disputes process described in the County's Procurement Regulations.<sup>16</sup>

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<sup>15</sup> Contract 1, Contract 2, and Contract 3; Article 7.2

<sup>16</sup> Contract 1, Contract 2, and Contract 3; Article 10.1

<sup>17</sup> Montgomery County Government, Accounts Payable Policy, Invoice Requirements and Approvals



### Payment Terms

Payment of invoices is due 30 days after the County's receipt, acceptance, and approval of the Contractor's invoice.<sup>18</sup>

All invoices, regardless of the amount, are processed through the Oracle approval workflow and require attachment of the invoice and any additional supporting documentation. The Oracle Approver performs a three-way match between the receipt/supporting documentation, PO or direct PO (DPO), and invoice. Invoices above \$10,000 are approved in Oracle by the designated Oracle Approver and then routed in Oracle to County AP. County AP reviews the invoice, along with supporting documentation and approvals, to determine if the invoice complies with all County policies prior to payment.<sup>19</sup>

Invoices for transactions that are processed without a three-way match (no PO or DPO) are known as direct payment invoices. For an invoice to be recognized as a direct payment invoice, the type of service being invoiced must be on the County's Finance Direct Payment Exemptions Listing. All direct payment invoices are processed and approved by the Using Department. Similar to non-direct payment invoices, direct payment invoices must be attached in Oracle with supporting documentation, along with sufficient information to indicate that the invoice qualifies as a direct payment. The County AP Manager reviews and serves as the final approver for all direct payments via the Oracle workflow.<sup>20</sup>

## **Scope and Methodology**

The audit was performed in accordance with the Statement on Standards for Consulting Services (SSCS) issued by the American Institute of Certified Public Accountants (AICPA). The scope focused on the following:

1. LCATS-3 and MCCATS-3 contracts:
  - a. Contract 1
  - b. Contract 2
  - c. Contract 3
2. County departments:
  - a. TEBS
  - b. County Using Departments
3. Time periods:
  - a. TO and invoice transaction period: 7/1/2021 through 9/30/2024
  - b. Contract management process: The audit evaluated the current state of TEBS' and selected County Using Department's contract management processes for the three in-scope contracts.
4. County policies:
  - a. AP Policy – Financial Governing Principles and Standards
  - b. LCATS-3 and MCCATS-3 Professional Services Webpages

### Process Understanding

SC&H performed the following procedures to understand the processes, risks, controls, and compliance efforts.

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<sup>18</sup> Contract 1, Contract 2, and Contract 3; Article 10.2

<sup>19</sup> Montgomery County Government, Accounts Payable Policy, Invoice Requirements and Approvals

<sup>20</sup> Montgomery County Government, Accounts Payable Policy, Invoice Requirements and Approvals; Additional Requirements for Direct Payments

1. Conducted interviews/walkthroughs with TEBS and selected County Using Departments to understand their current contract management responsibilities, procedures, and controls for the selected in-scope contracts.
2. Prepared process narratives, which included summaries of key activities along with risks, controls, and potential gaps.
3. Prepared a risk and control matrix to provide a listing of processes, risks, controls, etc.

### Fieldwork

Fieldwork consisted of testing the operational design and/or effectiveness of internal controls, and department compliance with the relevant controls, processes, and policies. SC&H prepared a document request list of information needed to perform the test steps developed during process understanding, including populations required to select samples for which additional information was requested. The following includes additional details regarding sample selections and test procedures.

### Sample Selection

Sampled TOs and invoices were selected from a population of TOs and invoices dated from July 1, 2021, through September 30, 2024, and included selections from all three in-scope contracts. SC&H utilized both judgmental and random selection methods for sampling.

### Internal Control Testing

SC&H performed the following:

1. Invoice Review and Approval: Obtained supporting documentation to determine the completeness and accuracy of the invoice and obtained evidence of review and sign-off by appropriate personnel.
2. Task Order Review: Obtained supporting documentation to determine adherence to contract requirements.
3. Contract Management: Reviewed documentation, where applicable, and documented improvement opportunities based on inquiry with TEBS.

### Contract Term and County Requirement Testing

Contract term and County requirement testing consisted of reviewing the contractual terms within each contract and the County AP Policy to identify if the work performed complied with the terms of the contract and County AP Policy.

### Contract Scope of Services Testing

Contract scope of services testing consisted of reviewing the scope of services between the contract and invoice to identify if the work performed appeared to align with the contract terms and conditions. SC&H determined if there were scope of service discrepancies.

### Validation

The preliminary test results were compiled and presented to the selected Using Departments, TEBS, and the MCIA Manager.

# Findings and Recommendations

## Results

We appreciate the assistance and cooperation from members of TEBS and the selected Using Departments during this audit. County personnel efforts, cooperation, and coordination throughout were crucial to understand the process, obtain documentation, and address questions.

The review focused on the County's contract management and compliance processes related to three contracts between the County and selected Contractors, managed by TEBS. However, since the contract management and compliance processes operate in collaboration with Using Departments, fieldwork procedures included tests to evaluate adherence by both TEBS and the selected Using Departments.

The review yielded five findings with fourteen supporting recommendations related to TEBS' contract management and compliance responsibilities and are presented below.

Results related to the selected Using Departments were presented to the respective Using Departments separately.

### **Finding 1: TEBS' Task Order Proposal Request templates do not list all required elements to be included in a Contractor's Task Order Proposal per the Contracts.**

#### Background

The County issues TOs to the Contractors to carry out all work under executed contracts. To initiate the TO process, the TOM creates a TOPR detailing the task specifications of the work to be performed or the labor category, in the case of a technical services TOPR. Each contractor who wishes to compete on a TOPR must submit a written TOP to the TOM.

The following provides excerpts from the contracts and LCATS-3 and MCCATS-3 TOPR templates specific to where exceptions were identified.

#### *Contract 1 and Contract 2, Article 4.2: Task Order Process*

"The TOPR will specify the following:

1. Scope of Work or Labor Category Staff to be provided and related duties;
2. The TOM who will be the County's Technical Contact for any resultant TO;
3. Approximate start and completion dates;
4. Evaluation criteria;
5. Response deadline;
6. Any other information pertinent to the work described in the TOPR; and
7. If appropriate, a Non-Disclosure Agreement (NDA) with provisions above and beyond existing Contract terms.

When [TOPRs] are competed, each contractor who wishes to compete must submit a written [TOP] to the TOM in a format directed by the County. All TOPs must include:

1. The Scope of Services, describing in detail the work to be performed, personnel assigned, and schedule of deliverables (milestones) and payments;
2. The signed resumes of proposed personnel in the standard format not to exceed two (2) pages in length for any person;
3. The schedule for completion or delivery date;
4. An estimate of man-hours and labor costs per deliverable (work breakdown structure format, if fixed-price);

**Finding 1: TEBS' Task Order Proposal Request templates do not list all required elements to be included in a Contractor's Task Order Proposal per the Contracts.**

5. A statement of the maximum compensation to be paid on a fixed-price or T&M (as required) for performing specific services for the TO; and
6. No more than three (3) proposed contractor staffers per each TO Full Time Equivalency (FTE) for professional services TOs should be made unless specifically requested by the Using Department TOM."

*Contract 3, Article 4.2: Task Order Process*

"The TOPR will specify the following:

1. Scope of Work or Labor Category Staff to be provided and related duties
2. The TOM who will be the County's Technical Contact for any resultant TO
3. Approximate start and completion dates
4. Materials to be provided (optional for [T&M] TOPRs)
5. Evaluation criteria
6. Response deadline
7. Any other information pertinent to the initiative in question
8. If appropriate, a Non-Disclosure Agreement (NDA) with provisions above and beyond existing Contract terms.

When [TOPRs] are competed, each contractor who wishes to compete must submit a written [TOP] to the TOM in a format as described in the TOPR. All TOPs must include:

1. The Scope of Services, describing in detail the work to be performed, personnel assigned, and schedule of deliverables (milestones) and payments
2. The signed resumes of proposed personnel in the standard format not to exceed two (2) pages in length for any person
3. Documentation/evidence of any job-related credential or certification claimed on the resume(s)
4. The schedule for completion or delivery date
5. An estimate of man-hours and labor costs per deliverable (work breakdown structure format, if fixed-price)
6. A statement of the maximum compensation to be paid on a fixed-price or T&M (as required) for performing specific services for the TO
7. No more than three (3) proposed contractor staffers per each TO Full Time Equivalency (FTE) for technical services (staff augmentation) [TOs] unless specifically requested by TOM."

TEBS' LCATS-3 TOPR template states "the [TOP] must include the following:

1. Resumes(s) of the proposed staff
2. Time and Materials quote according to contract
3. Statement of understanding of scope of services"<sup>21</sup>

TEBS' MCCATS-3 TOPR template states "the [TOP] must include the following:

4. Resumes(s) of the proposed staff
5. Documentation/evidence of any job-related credential or certification claimed on resume
6. Time and Materials quote according to contract
7. Statement of understanding of scope of services"<sup>22</sup>

<sup>21</sup> Montgomery County Government, SharePoint, LCATS-3 TOPR Template

<sup>22</sup> Montgomery County Government, SharePoint, MCCATS-3 TOPR Template

**Finding 1: TEBS' Task Order Proposal Request templates do not list all required elements to be included in a Contractor's Task Order Proposal per the Contracts.**

Findings

SC&H reviewed a total of 8 TOs issued by TEBS for adherence to TOP requirements in Contract 1, Contract 2, and Contract 3. The following was identified:

1. 4 of 8 TOs: The Contractor's TOP did not include all required elements per the Contract. The Contractor's TOP included all required elements per the TOPR. However, the TOPR did not list all required elements to be included in a Contractor's TOP per the Contract.
2. 1 of 8 TOs: The Contractor's TOP did not include documentation/evidence of job-related credentials or certifications claimed on the resume(s). Additionally, the TOPR did not list all required elements to be included in a Contractor's TOP per the Contract.

Risks

1. Failure to include appropriate specifications of the work to be performed in the TOPR could result in contractors delivering work that does not meet the project's requirements.
2. Failure to include applicable specifications within the TOPR could result in unexpected costs, as contractors may need to perform additional work to meet the contract's actual needs.
3. Failure to provide Using Departments with an appropriate TOPR template could result in contractors being awarded work under a TO without having provided the necessary elements in their proposal, leading to a risk of non-compliance, unauthorized work, misalignment with TO goals, and inefficient performance.

Recommendation 1.1

TEBS should consider updating the LCATS-3 and MCCATS-3 TOPR templates to reflect all required elements to be included in a Contractor's TOP per the respective contract. Refer to the "Background" section above for all required elements. TEBS should also consider adding a requirement to the LCATS-3 and MCCATS-3 TOPR templates stating that Contractors must obtain prior written consent from the County prior to using or changing subcontractors. At a minimum, Contractors should be required to identify any subcontractors on resumes submitted with TOPs. Additionally, TEBS should consider establishing separate TOPR templates for different TOPR types (e.g., fixed-price, T&M).

**Finding 2: Contract documentation was not consistently completed or maintained.**

Background

Contract documentation and County policies and procedures have been established and detail the information that should be maintained to properly administer the contracts executed between the County and selected Contractors.

The following provides an excerpt from the County policies and procedures specific to where exceptions were identified.

*LCATS-3 and MCCATS-3 Professional Services Webpages, Section III.11:* "The Using Department TOM shall notify the vendors who were not selected via email using the sample non-awarded email template."

**Finding 2: Contract documentation was not consistently completed or maintained.**

While the contracts do not provide specificity regarding documentation maintenance or retention, they do provide regulations on what is required of contractors/vendors, TOMs, and the Office of Procurement. However, there is an expectation that certain documentation, information, data, etc. is maintained.

There are procedures organizations are expected to implement into their own processes and operations to properly mitigate risk-based criteria surrounding invoicing and the contract process. These criteria, sometimes in the form of approval workflows, segregation of duties, and regular reconciliations, allow an organization to achieve compliance and mitigate related risks. These criteria were identified and considered throughout the audit, including fieldwork testing procedures.

**Findings**

SC&H identified the following instances of incomplete/missing documentation:

1. 6 of 8 TOs: Evidence was not provided to verify the TOM emailed the Contractor(s) not selected for the TO.

**Risks**

The lack of supporting documentation could result in:

1. Contractual non-compliance due to a lack of evidence to verify performance or completion.
2. Inefficiencies in operations, as employees may spend excessive time searching for information that should be readily available.
3. Prevention of employees from verifying the accuracy, legitimacy, or existence of transactions, resulting in financial misstatement.
4. Loss of valuable institutional knowledge, making it difficult for new employees to understand past decisions and actions.

**Recommendation 2.1**

TEBS should consider establishing internal records retention policies and procedures for tracking and maintaining records regarding, but not limited to, TOPRs, TOPs, TOs, POs, invoices, and other key activities. These should include defined intervals for all applicable types of documentation and should align with any applicable requirements established by the County.

Additionally, internal policies and procedures should define a standard process for saving documents to a shared drive on the County's network or a centralized, organized location. Currently, many documents are saved in individual email accounts and computer drives, which could lead to availability and accessibility challenges when employees leave the County. To mitigate such occurrences, all employees should be required to save key documentation (TEBS should define what key is) in a centralized location. TEBS may also consider evaluating costs and benefits to improving or implementing solutions within the Oracle system, such as Oracle Universal Records Management (URM) and Oracle WebCenter Content, which provide comprehensive features for managing documents and records. These solutions could allow for proper retrieval, version control, and secure access so that all necessary documentation is maintained and up to date. TO elements that should be tracked include, but are not limited to, the following:

1. PO/TO number
2. Vendor name and contact information
3. Goods/services detail, including expected delivery date(s)

**Finding 2: Contract documentation was not consistently completed or maintained.**

4. Payment terms
5. Approval status
6. Remaining funds on the PO

**Recommendation 2.2**

TEBS should consider reviewing internal documentation to identify opportunities to revise or create templates, checklists, and/or forms that ensure consistency and completeness throughout the contract management and compliance process. This includes development or enhancement to current templates, checklists, and forms related, but not limited to:

1. TOPRs: Templates and/or forms to be utilized by Using Departments when requesting a TOP. Refer to **Recommendation 1.1** for further information.
2. TO monitoring: Templates, forms, and/or checklists to be utilized following the award of a TO. These templates, forms, and/or checklists should be utilized throughout the life of a TO and include steps related to the termination, modification, and/or suspension of TOs prior to expiration.
3. Existing checklists and forms: Checklists and forms (LCATS-3 and MCCATS-3 Task Order Transmittal Checklists, Rating Sheets, Professional Services Webpages) to include signatures from TOMs, evidencing all required steps and documentation have been completed/aggregated.

**Recommendation 2.3**

TEBS should consider conducting regular (e.g., annual, bi-annual) training sessions for Using Departments on proper and/or required documentation practices relating to the LCATS-3 and MCCATS-3 contract management process and the importance of maintaining accurate records. These trainings sessions should include, but not be limited to, the following:

1. TOPR creation and submission
2. TOP review, selection, and approval
3. Personnel substitution requirements
4. Subcontractor requirements
5. Timesheet review and approval
6. Invoice review and approval
7. TO modification, suspension, and termination
8. TOPR templates, completion, and send-out
9. Importance of contractual compliance
10. Consequences of contractual non-compliance.

Refresher courses should be conducted (frequency to be determined by the County) to offer increased assurance that Using Departments are updated on any changes to contract language, County policies and procedures and/or requirements and compliance standards. TEBS and the County should consider conducting interactive sessions with Using Departments, allowing employees to discuss common compliance issues and best practices for managing contracts.

**Recommendation 2.4**

TEBS should consider implementing periodic reviews of internal documentation (e.g., annual, bi-annual) to offer increased compliance assurance with documentation standards and identify areas for improvement.

### **Finding 3: TEBS should strictly adhere to the requirements within the Contracts.**

#### Background

Contracts detail specific requirements that must be adhered to by both the County and the Contractor throughout the life of the Contract.

The following provides excerpts from the contracts specific to where exceptions were identified. Those process areas include:

1. Task order process
2. Selection of personnel
3. Invoicing

*Contract 1, Contract 2, and Contract 3, Article 4.1: General:* "All resumes submitted in response to a TOPR must be signed and dated by both the Contractor's Program Manager and the Contractor's proposed staff member(s)."

*Contract 1, Contract 2, and Contract 3, Article 4.3: Task Order Pricing:* "The Contractor must not commence work on a TO without a valid [PO] in hand. The Using Department must ensure that no work will commence until such time as a valid [PO] has been issued."

*Contract 1 and Contract 2, Article 5.4: Subcontracting:* "The Contractor may subcontract the performance of required services with other contractors or third parties, or change subcontractors, with the prior written consent of the County."

*Contract 3, Article 5.4: Subcontracting:* "The Contractor may subcontract the performance of required services with other contractors or third parties. The Contractor may also change subcontractors with the prior written consent of the County."

*Contract 1, Contract 2, and Contract 3, Article 11.1: Prices:* "The following prices are in effect for this Contract for a minimum of two (2) years after Contract execution. There are no provisions in the Contract and Contractor must not charge the County and the County will not approve any additional amounts for travel, food, lodging, parking, or any other miscellaneous expenses."

#### Findings

SC&H identified the following instances of non-compliance with contract requirements, organized by process area:

##### *Task Order Process*

1. 1 of 8 TOs: One or more of the Contractor's proposed staff members' resumes submitted in response to the TOPR were not signed by both the Contractor's Program Manager and the Contractor's proposed staff member. (Article 4.1)
2. 1 of 8 TOs: The Contractor commenced work on the TO prior to the issuance of a County PO. (Article 4.3)

##### *Selection of Personnel*

1. 5 of 5 TOs with subcontractors: The Contractor did not receive prior written consent from the County to use a subcontractor. (Article 5.4)



### **Finding 3: TEBS should strictly adhere to the requirements within the Contracts.**

#### *Invoicing*

1. 8 of 31 invoices: One or more of the labor rates on the Contractor's invoice did not agree to the approved labor rates in the respective contract and/or discounted labor rates in the approved TOP. (Article 11.1)

#### Risks

1. The commencement of work on a TO prior to the issuance of a PO could result in financial disputes, legal complications, operational risks, and reputational damage.
2. Failure to adequately review and approve invoices could result in incorrect and/or inappropriate payments to Contractors (e.g., unapproved labor rates).
3. The Contractor's use of a subcontractor without the County's approval and/or knowledge could result in quality control and safety concerns, schedule delays, reputation damage, and non-compliance with contract terms and/or County LSBRP requirements.
4. Failure to enforce and/or adhere to contract requirements could result in legal complications, contractual non-compliance, and reputational damage.
5. Dated/unclear contractual language could result in the increased likelihood that contract requirements are bypassed and the risk of contractual non-compliance.

#### Recommendation 3.1

TEBS should consider conducting regular (e.g., annual, bi-annual) training sessions for Using Departments on proper and/or required documentation practices relating to the LCATS-3 and MCCATS-3 contract management process and the importance of maintaining accurate records. Refer to **Recommendation 2.3** for further information.

#### Recommendation 3.2

TEBS and the County should review the contract language and requirements within the LCATS-3 and MCCATS-3 contracts and confirm alignment with current County procedures for elements including, but not limited to, the following:

1. TOPR creation and submission
2. TOP review, selection, and approval
3. Personnel substitution requirements
4. Subcontractor requirements
5. Timesheet review and approval
6. Invoice review and approval
7. TO modification, suspension, and termination

TEBS and the County should consider updating the contract language and requirements during the next renewal period if outdated language and requirements are found during the review to offer increased consistency assurance and reduce the risk of non-compliance.

#### Recommendation 3.3

TEBS should consider establishing internal records retention policies and procedures for tracking and maintaining records. Refer to **Recommendation 2.1** for further information.

#### **Finding 4: TEBS should strictly adhere to the requirements within County policies and procedures.**

##### Background

County policies have been established detailing requirements related to contract management and review of invoice documentation received by individual Using Departments.

The following provides excerpts from the County AP Policy specific to where exceptions were identified.

##### *Montgomery County MD Controller's Division, Accounts Payable Policy*

1. *Section 5: Receiving Goods and Services:* "The three-way match of the PO/DPO, receipt and invoice help provide the required internal controls over purchasing and the resulting expending of County funds. The person performing the receiving function, or their designee, must enter an electronic receipt against the PO or DPO in Oracle. The Oracle receiving should be performed in a timely manner."
2. *Section 6: Invoice Requirements and Approvals:* "It is the Oracle Approver's responsibility to ensure invoices are entered accurately in the system, and when required, invoices are matched to the PO or DPO."

##### Findings

SC&H identified the following instances of non-compliance with County policies and procedures:

1. 5 of 31 invoices: The Contractor's invoice references an expired/incorrect contract, TO, and/or PO. SC&H reviewed the invoice data received from County Finance and confirmed the invoice was paid from the correct contract, TO, and/or PO. However, the invoice detail was incorrect (SC&H provided specific details to TEBS). Additionally, there is a system limitation within Oracle that does not prevent the County from paying an invoice with encumbered funds from an unrelated PO. (County AP Policy, Sections 5 and 6)

##### Risks

1. Failure to adequately review and approve invoices could result in incorrect and/or inappropriate payments to Contractors (e.g., unapproved labor rates).
2. Failure to correct an incorrect invoice could result in:
  - a. Delayed payments.
  - b. Mismatched financial records, complicating audits and financial reporting.
  - c. Legal disputes over payment amounts, terms, or other contractual obligations.
  - d. Operational inefficiencies.
  - e. Reputational damage.
3. Failure to implement Oracle system controls to prevent the County from paying an invoice with encumbered funds from an unrelated PO could result in:
  - a. Inaccurate financial records, making it difficult to track expenses and budget effectively.
  - b. Increased risk of fraudulent activities, such as unauthorized payments or misappropriation of funds.
  - c. Non-compliance with County policies and procedures.

##### Recommendation 4.1

TEBS should consider conducting regular (e.g., annual, bi-annual) training sessions for Using Departments on proper and/or required documentation practices relating to the LCATS-3 and

**Finding 4: TEBS should strictly adhere to the requirements within County policies and procedures.**

MCCATS-3 contract management process and the importance of maintaining accurate records. Refer to **Recommendation 2.3** for further information.

Recommendation 4.2

TEBS and the County should review all current policies and procedures related to the TO process and ensure that they are clearly documented and up to date. Documentation should be easily accessible to all appropriate employees. TEBS and the County should regularly communicate updates and changes to these policies and procedures.

Recommendation 4.3

TEBS should consider establishing internal records retention policies and procedures for tracking and maintaining records. Refer to **Recommendation 2.1** for further information.

**Finding 5: TEBS manually maintains and tracks Task Order data.**

Background

SC&H met with management and representatives of TEBS to understand their procedures, roles, and responsibilities regarding LCATS-3 and MCCATS-3 contracts, TOs, POs, invoices, and other key activities. These discussions included an understanding of documentation and evidence utilized and retained for each.

Findings

Based on planning and fieldwork testing procedures performed, the following exceptions were identified:

1. The TEBS Contract Administrator manually tracks/maintains a listing of TOs for the three in-scope contracts. Due to the manual documentation/maintenance of TOs, SC&H could not verify the completeness and/or accuracy of the listing of TOs during the audit scope period. As such, SC&H inquired with the selected Using Departments to verify the completeness and accuracy of the listing, including TO numbers, the associated Using Department, whether or not the TO was terminated, modified, and/or suspended, etc.
2. Oracle does not alert Using Departments when encumbered funds on a PO are running low. Therefore, it is the Using Department's responsibility to manually monitor payments against the PO to prevent depletion of funds for a TO.

Risks

1. Manually documenting/maintaining data related to TOs could result in:
  - a. Human errors/inaccuracies, incorrect payments, unauthorized activities, and/or misallocation of resources.
  - b. Reduction in employee productivity and operational delays.
  - c. Unauthorized access, loss, or theft of sensitive information, compromising the confidentiality and integrity of the data.

Recommendation 5.1

TEBS should consider establishing internal records retention policies and procedures for tracking and maintaining records. Refer to **Recommendation 2.1** for further information.

**Finding 5: TEBS manually maintains and tracks Task Order data.**

Recommendation 5.2

TEBS should consider conducting regular (e.g., annual, bi-annual) training sessions for Using Departments on proper and/or required documentation practices relating to the LCATS-3 and MCCATS-3 contract management process and the importance of maintaining accurate records. Refer to **Recommendation 2.3** for further information.

Recommendation 5.3

TEBS and the County should review the capabilities of the Oracle system, to assess if a control could be implemented to send automatic notifications to appropriate personnel (e.g., TOM, Department Head) when encumbered funds on a PO reach a certain threshold (defined by TEBS and/or the County). This helps ensure timely action to replenish funds or review expenditures, preventing overspending.

## **Comments and MCIA Evaluation**

The draft report was shared with TEBS for review and comment. TEBS stated that they had no formal comments, and that they would address the findings and process recommendations identified in the report. MCIA did not make any changes to the draft report.