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

Information Technology Audit
Vendor and Contractor Management

June 28, 2021

Highlights

Why MCIA Did this Review

The Montgomery County Office of Internal Audit (MCIA) conducted an information technology (IT) audit of vendor and contractor management processes within the Montgomery County Department of Technology and Enterprise Business Services (TEBS). The audit assessed the applicable TEBS policies and procedures surrounding the County's IT vendor and contractor management processes.

Within TEBS, the Office of Strategy and Planning (OSAP) leads the development of strategic plans and facilitates the execution of effective strategies that achieve the CIO's top strategic priorities. OSAP supports TEBS in becoming a world-class IT organization that focuses on innovation and IT business solutions to minimize costs and deliver higher quality services. The OSAP team provides TEBS with multiple services including managing the TEBS budget and coordinating the activities of account managers and contract administrators responsible for approximately 87 active contracts within TEBS. The Vendor/Contracts (VC) team within OSAP has a central role in procuring services for TEBS through the creation of requests for proposals (RFPs), contract drafting, assisting Task Order Managers (TOMs) with procuring contractors, and supporting the contract amendment processes.

This audit was conducted as a result of MCIA's 2019 IT Risk Assessment. The focus was to evaluate the current internal control environment of the County's IT vendor and contractor management processes. The audit was conducted by the accounting firm SC&H Group, Inc., under contract with MCIA.

MCIA is making four recommendations to TEBS to strengthen the existing control environment within the County's IT vendor and contractor management processes.

June 2021

IT Audit of the County's Vendor and Contractor Management Processes

What MCIA Found

The audit of the County's IT vendor and contractor management processes determined that there are certain preventative and detective procedures and control activities in place designed to mitigate risks associated with vendor and contractor relationships throughout the entirety of the contract life cycle with the County. The audit identified several opportunities to better manage processes and mitigate risks. The risks can be addressed by enhancing or implementing internal controls within the vendor and contractor management processes.

Specifically, the audit identified recommendations to strengthen controls and better mitigate risks in four areas within the County's IT vendor and contractor management processes:
1. Ensuring all vendor documentation including, but not limited to solicitation documents, contracts and amendments, and contract notifications are retained.
2. Implementing periodic reviews of user access to County systems to ensure only authorized vendors have access.
3. Requiring formal documentation to support the need for contractor assistance and the decision to address the need through a contractor versus a County employee.
4. Establishing requirements for formally documenting the basis for selecting a contractor, particularly when a lower scoring contractor is recommended for selection over a higher scoring contractor.

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Objectives

This report summarizes the information technology (IT) audit of Montgomery County's (the County) vendor and contractor management processes (audit). The audit was performed by SC&H Group, Inc. (SC&H), under contract with the Montgomery County Office of Internal Audit (MCIA).

The audit included meeting with members of the Office of Strategy and Planning (OSAP) Vendor and Contracts (VC) team within the County's Department of Technology and Enterprise Business Services (TEBS) to build upon the knowledge obtained through the County's IT Risk Assessment, and to understand the following specific tasks within TEBS:
1. IT vendor and contractor management responsibilities
2. Documented policies, procedures, standards, and/or guidelines
3. Security policies and procedures regarding access, onboarding, and contract compliance
4. IT vendor and contractor selection, tracking, and renewal processes

The audit's objectives were to:
1. Determine if TEBS is following a formal vendor and contract management process that assesses the risk of its vendor and contractor relationships, and monitors and manages that risk throughout the entirety of the vendor and/or contractor lifecycle with the County.
2. Evaluate the effectiveness of TEBS's internal controls related to IT vendor and contractor management.

Background

County-wide Information Technology Overview

The County manages hardware, software, and technology through a combination of centralized and decentralized functions to enable employees to provide quality services to citizens and businesses, deliver information and services to citizens, and increase productivity.

TEBS is responsible for assisting the County's departments with identifying innovative technology solutions, helpdesk support, IT security, and IT vendor and contractor selection and management.

Centralized IT Functions
TEBS provides certain IT services and communication services necessary to support the daily operation of County departments through ten divisions, offices, and programs, including:
1. Office of Broadband Programs & Infrastructure Modernization
2. Office of the Chief Information Officer
3. Office of the Strategic Partnerships
4. Office of Digital Transformation
5. Office of Strategy and Planning
6. Office of Project Management
7. Office of Enterprise Information Security
8. Office of Data Classification & Digital Evidence
9. One Face Forward Initiative
10. Office of Change Management

IT Vendor and Contractor Management Overview

TEBS's IT vendor and contractor management is the overall process of selecting vendors and contractors, negotiating the terms, preparing contract documents, and supporting vendor and contractor management. TEBS also focuses on validating contract compliance and evaluates substandard contractor performance. Vendors, for the purpose of this audit, are defined as any third-party entity that has a service contract with the County to provide goods or services. A "contractor" is an individual working within the County based on a task order proposal and executed purchase order from one of the County's established vendor contracts.

Currently, TEBS has 87 active vendor contracts. Of those 87, the county has eight (8) Montgomery County Consulting and Technical Services 2 (MCCATS) vendors and seven (7) Local Small Business Reserve Program (LSBRP) Consulting and Technical Services 2 (LCATS) vendors. Combined, those 15 MCCATS and LCATS vendors provide TEBS access to procure contractors. Established IT vendor and contractor management processes and controls are designed to reduce the likelihood of supply chain disruption, poor vendor relationships, and subpar contractor performance.

IT Vendor and Contractor Processes

The IT vendor and contractor management processes conducted within TEBS include the following:

1. **Policies and Procedures:** TEBS utilizes the defined procurement processes and requirements as detailed in Procurement Chapter 11B of the County Code.[1] Additionally, TEBS utilizes Administrative Procedure (AP) 6-7[2] as the security policy regarding vendor and contractor access to County Information Systems. The Enterprise Resource Planning (ERP) team has a number of policies specific to their division documenting the onboarding process, time reporting, and off boarding processes. TEBS and the OSAP VC team have also created flowcharts to document the following procurement processes: RFP, new contracts (RFI and Bridge), contract amendments, and task orders.

2. **Identification and selection of IT vendors and contractors[3]:** Based on the procurement type (i.e., RFP, RFI, or Bridge Contract), TEBS follows the defined procurement processes and requirements as detailed in Procurement Chapter 11B of the County Code for identifying and selecting vendors. The County has developed the LCATS and MCCATS task order processes for selection of contractors. The intent and objective of LCATS and MCCATS is to enable the County to be able to quickly and economically procure IT consulting and technical services. The LCATS allows the County to utilize Local and Small Business, whereas, the MCCATS does not have this requirement.

3. **Vendor and Contractor Onboarding:** All contractors are required to sign a contractor acknowledgement form. Based on the role the contractor is filling and their assigned job

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[1] Montgomery County Regulations, Chapter 11B can be accessed from the following website: https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-4987
[2] Montgomery County Administrative Procedure 6-7 can be accessed from the following website: https://www.montgomerycountymd.gov/frs-ql/resources/files/support_services/tech/ap6-7.pdf
[3] This audit review focused on IT Contractors within TEBS; however, there could be IT Contractors within other departments at the County.

responsibilities, select contractors are required to complete background checks and/or non-disclosure agreements.

4. **Oversight of Contracts:** Each vendor contract is assigned to a contract administrator from the VC team to assist the division or office within TEBS that is utilizing the vendor's services or products. The division or office that is managing the vendor monitors contract compliance and performance. Any issues identified are brought to the contract administrator's attention and together they will work with the vendor to correct the issue identified. Each contractor task order has a task order manager that is responsible for monitoring performance along with assigned County management. Since all contractors are initially selected from vendor contracts with the LCATS and MCCATS vendors, the associated contract administrator may reach out to the vendor if an issue required escalation beyond discussion with the contractor. Together any issues in performance are addressed and resolved.

5. **Vendor and Contractor Selection:** Based on the procurement type (i.e., RFP, RFI, or Bridge Contract), TEBS follows the defined procurement processes and requirements as detailed in Procurement Chapter 11B of the County Code for identifying and selecting vendors. The County has developed the LCATS and MCCATS task order processes for selection of contractors. The LCATS and MCCATS has 15 different vendors that can submit contractors based on the County's requested needs. Both the LCATS and MCCATS utilize the task order process, where the task order manager completes the task order proposal request (TOPR) which includes the task order title, scope of work, quotation deliverables, requirements, and evaluation criteria and weight. The TOPR will advise who it should be sent out to: either all LCATS and MCCATS vendors, all LCATS only, or all MCCATS only. Both the MCCATS and LCATS policy documents noted that TOPRs originated for the purpose of retaining existing contractor staff will be handled on an individual basis and are considered to be an exception to the County's standard task order process. The MCCATS and LCATS vendors responding to the TOPR will submit their task order proposal (TOP) to the task order manager (TOM) by the date specified in the TOPR. Contractor resumes will be sent to the County based on the TOPR's requirements and the TOMs will rank the candidates by the evaluation criteria. Currently, interviews are optional, and the highest rated individuals would be selected for an interview. The TOM will put together the task order award recommendation and submit it to the TEBS contract administrators. The Chief Information Officer (CIO) and Office of Procurement (Procurement) must approve the task order recommendation and then a purchase order can be executed for that contractor.

6. **Oversight and Review of Vendor Performance:** The assigned contract administrator and responsible TEBS division manages vendor oversight and performance including costs, contract compliance, and service levels. The managing division of TEBS immediately discusses any issues identified with the vendor. If a satisfactory resolution is reached, no further actions are taken. If a resolution cannot be reached or this is a reoccurring issue, the contract administrator is involved to review and discuss additional remedies up to and including contract termination. Similarly, each contractor task order has a TOM that is responsible for monitoring performance with the contractor's manager. Together any issues in performance are addressed and resolved including, if needed, terminating the existing contractor and replacing with another contractor from that vendor or creating a new TOPR and starting the selection process from the beginning.

7. **Vendor and Contractor Termination:** The VC team within OSAP has a master spreadsheet to track all vendor contracts and when action (renewal or end of contract) is required. Additionally, the County's Office of Procurement (Procurement) sends automated emails to all departments of any contracts that are expiring. The VC team and contract administrators' work with the managing divisions of TEBS to determine if the contracts should be extended, amended, or terminated based on the needs of the County. The contractor's work is based off the initial TOPR that documents the needs of the County. Once the work is completed that task order is closed.

8. **Bridge Contracts:** The County currently utilizes nine Bridge Contracts with vendors. As part of Procurement regulations (Chapter 11B) each contract must be in the best interest of the County, the original contract between the vendor and other public entity is awarded through adequate competition, and the same prices for the same specifications of the original contract are provided to the County.

Scope and Methodology

The audit was conducted from November 2020 to March 2021. The audit focused on the current IT vendor and contractor management processes maintained and administered by the VC team within OSAP. While other departments' responsibilities may have been discussed at various points within the audit, they were not tested. Processes included the following:
1. Policies and procedures for IT vendor/contractor management
2. Identification and selection of IT vendors/contractors
3. Vendor/contractor onboarding
4. Use and oversight of contractual terms covering duties, obligations, and responsibilities of vendors/contractors
5. Vendor/contractor selection and usage
6. Ongoing oversight and review of vendor performance including costs, contract compliance, and service levels
7. Vendor/contractor termination
8. Contract bridging with outside jurisdictions

The audit also included an analysis of the following aspects related to the IT vendor and contractor management processes:
1. Maturity of the processes
2. Vendor selection processes (i.e., RFP, RFI, Bridge Contract)
3. Ownership of the various functions within the processes
4. Contractor selection processes (i.e., contractor vs. County employee)
5. Applicable NIST 800-53 rev. 4 controls[4]

Scope criteria included IT vendors and contractors that were either new to the County or had an active contract with the County within the period of December 1, 2019 to December 1, 2020.

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[4] Security and Privacy Controls for Federal Information Systems and Organizations: https://nvd.nist.gov/800-53/Rev4. Issued by the non-regulatory agency of the United States Department of Commerce, NIST 800-53 contains a catalog of security and privacy controls for all U.S. Federal Information Systems except those related to national security. This standard contains best practices as a guideline for IT security and privacy controls.

Scoping

SC&H performed the following procedures to obtain a preliminary understanding of the County's IT vendor and contractor management functions.

Interviews

SC&H conducted detailed interviews and walkthroughs with the VC team. The purpose was to observe and document the internal controls and related risks associated with each of the following domains:
1. Governance
2. P-Card Usage
3. Vendor Lifecycle
4. Vendor Access
5. IT Security
6. Vendor Tracking
7. Contractor Selection
8. Contractor Onboarding
9. Renewals
10. Contractor Satisfaction

Policy and Procedure Review

SC&H obtained and reviewed IT vendor and contractor management policies and procedures, including the following documents:
1. AP 6-7
2. LCATS 2 Professional Services / Task Orders
3. MCCATS 2 Professional Services / Task Orders
4. TEBS RFP, RFI, and Bridge Contract Process
5. TEBS New Contract Process
6. TEBS Contract Amendment Process
7. TEBS Task Order Process
8. ERP Policy and Procedure: Employee and Contractor Onboarding Procedures Office Services Coordinator (OSC) Subprocess
9. ERP Policy and Procedure: Contractor Time Reporting
10. ERP Offboarding Process, Quick Reference Guide for Managers
11. ERP Policy and Procedure: Contractor Offboarding

Test Plan Development

Utilizing the information obtained during the scoping and preliminary departmental assessment, interviews, and walkthrough procedures, SC&H developed an audit plan to test the design and/or operational effectiveness of internal controls identified.

Fieldwork

Fieldwork consisted of testing the design and/or operational effectiveness of internal controls identified during the scoping and preliminary departmental assessment, interviews, and walkthrough procedures. SC&H prepared a document request listing for all information needed to satisfy the testing steps developed in the audit plan, including populations required to select samples for which additional information was requested. SC&H utilized both judgmental and haphazard selection methods for sampling.

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<u>Sample Selection</u>
Vendor and contractor samples were separately selected based on the respective size of the population identified.

Vendor Contracts
SC&H selected 15 samples from a total population of 72 current open contracts. The full population included nine (9) bridge contracts, seven (7) LCATS, and eight (8) MCCATS providers. SC&H judgmentally selected five (5) bridge contracts, five (5) LCATS or MCCATS, and five (5) other contracts.[5] Of the 15 samples, two (2) were new contracts and 13 were contract amendments.

Contractor Contracts
SC&H selected five (5) samples from a total population of 22 contractors that had new Purchase Orders during December 1, 2019 – December 1, 2020. Of the 22 contractors, eight (8) were LCATS and 14 were MCCATS. SC&H haphazardly selected two (2) LCATS and three (3) MCCATS contractors.

<u>Documentation Review</u>

SC&H obtained and reviewed the Procurement Regulations for solicitation methods, using department responsibilities, and contract creation. Further, SC&H obtained and reviewed the following flowcharts created by TEBS:

1. RFP Process
2. New Contract Process
3. Task Order Process
4. Contract Amendment Process

<u>Walkthroughs</u>

Walkthroughs were performed with the VC team to obtain a more thorough understanding of each sub-process to evaluate the effectiveness of internal controls, workflow between OSAP and VC team, TOMs, and other parts of TEBS.

<u>Internal Controls and Compliance Testing</u>

Internal controls identified and detailed within the audit plan were tested to assess the operating effectiveness of the identified control activity. SC&H prepared a document request list for all support needed to satisfy the testing steps and associated attributes detailed within the audit plan.

1. Vendor Contracts: For each contract sample selected, SC&H obtained supporting documentation to validate compliance with defined criteria set forth in TEBS policies including: the appropriateness and sufficiency of the procurement method used, vendor evaluation and selection criteria, and review and approval of contract documentation for compliance with Procurement Regulations.
2. Contractor Contracts: For each contractor sample selected, SC&H obtained supporting documentation to validate compliance with defined criteria set forth in TEBS policies including: the appropriateness of the need for fulfilling a contractor position, contractor

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[5] "Other contracts" in this instance includes contracts identified on the Master Contract List provided by TEBS as RFP, IFB, RFI, SLA, informal solicitations, Council Resolutions – Non Comp, and DPOs.

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evaluation and selection criteria, contractor task order transmittal checklists, and on-boarding documentation.

Validation

The preliminary test results were compiled and presented to the VC team on March 12, 2021. Appendices A and B are provided as reference for all controls tested as part of the audit.

Findings and Recommendations

Results

There appears to be certain preventative and detective procedures and control activities in place designed to mitigate risks associated with vendor and contractor relationships throughout the entirety of the contract life cycle with the County. As noted in previous reports conducted by the Office of Internal Audit, the County's procurement policies need to be updated.

The audit determined that TEBS departmental policies related to vendor and contractor management provide insufficient detail to sufficiently mitigate risks associated with fair and appropriate selection and retention of vendors and/or contractors. Examples of formal procedures and/or documentation requirements not currently included in the County's vendor/contractor program are included in findings detailed below. The following four findings were identified to strengthen and expand the County's IT vendor and contractor management processes and controls.

Finding 1: Vendor Lifecycle Documentation

Currently, the procurement guide utilized as a reference for all County departments does not identify the using department as required to maintain supporting contracting documentation (e.g., vendor ranking sheets, memoranda, and contract expiration notifications) created for County contracts. Further, TEBS does not have established policies and procedures in place that define which documents are required to be maintained by TEBS. The LCAT and MCCAT policies allow for an exemption to the standard TOPRs process in which TOPRs originated for retaining existing contractor staff will be handled on an individual basis and are considered an exception to the County's standard task order process. No additional information is provided within the policies to standardize the exception process to ensure that process is being complied with appropriately.

The OSAP VC team reviews, responds to TEBS division's requests and questions, and creates all solicitation documentation for review by the Procurement. Once a vendor is selected, the VC team should store all related contract documentation on their Microsoft Team's channel (or Team's location) to ensure easy access for contract review and analysis. Procurement sends automated email notifications to all contract administrators prior to contract renewal, amendment, and/or termination.

SC&H selected a sample of 15 vendors and requested supporting email notification from the OSAP VC team to ensure required documentation was retained in the vendor's Microsoft Team's channel. Of the 15 vendors selected for testing, TEBS had no record of six (6) vendors' contract notification email within their Team's channel.

Additionally, SC&H selected a sample of three (3) vendors and requested respective vendor ranking sheets and memorandums sent to Procurement selecting the vendor. The OSAP VC team was not able to provide copies of the requested evidence; however, Procurement was able to provide requested documentation. Based on these findings, the OSAP VC team does not retain vendor lifecycle documentation including, but not limited to the ranking sheets, memoranda sent to Procurement, and notification emails provided by Procurement. This documentation provides support for vendor selection and can help ensure timely reviews of upcoming contract expirations to allow proper response time.

Risks
1. Without formalized policies regarding vendor and contractor processes and data/document retention procedures there is an increased risk of data loss.
2. Deletion of email notification could result in VC team not reviewing contracts in a timely manner or the contracts not being reviewed at all if a contract administrator leaves the County.
3. Lack of accessibility and transparency into contracting documentation and processes could result in opportunities to manipulate data/reporting and an inability to prevent and/or detect fraud, waste, or abuse in County funds or resources.

Recommendation 1.1
OSAP VC team should develop a detailed policy document that identifies what documentation will be maintained for each contract, where data will be stored, and the retention policy for these data.

Recommendation 1.2
OSAP VC team should implement a process to periodically review, approve, update, and communicate policy and procedure documentation to remain current and so all project management stakeholders are aware of up-to-date policies (e.g., annually, or when significant events that impact processes occur).

Recommendation 1.3
OSAP VC team should maintain all vendor selection documentation (ranking sheets, memos, and any additional supporting documentation), all contract documentation, and notifications of contract end dates internally for future review based on the policy document created as part of recommendation 1.1, to assist with future negotiations, and/or to train new contract administrators.

Finding 2: Monitoring Vendor Access

AP 6-7 is included in documentation provided to prospective vendors during the RFP and included in contracts when vendors require access to Montgomery County Information Systems. SC&H requested and received samples of contracts and RFPs to verify that AP 6-7 is included within. Further, SC&H requested a listing and/or population of all vendors with access to County Information Systems within TEBS, whereas the VC team was only able to provide an Active Directory listing which partially distinguished between vendors and contractors. Additionally, SC&H confirmed that there is no periodic review of access in place to ensure access is appropriate and/or removed in a timely manner.

Following the procurement and contracting process, IT vendor access is not continuously monitored and there is no periodic access review in place to determine if access was appropriately granted and/or access is still required for the contractor responsibilities.

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Risks
1. Inappropriate users having access to Montgomery County Information Systems could expose the department and/or the County to vulnerabilities such as unauthorized access to data, manipulation of data, and/or denial of service attacks.
2. Vendor access that is not appropriately restricted could expose the County to intentional or unintentional vulnerabilities.

Recommendation 2.1
The OSAP VC team should conduct and/or assist other TEBS divisions in conducting an independent periodic review of user access, including administrative and service accounts, at a minimum on an annual basis. Any unauthorized, expired, or no longer needed accounts should be disabled and removed according to TEBS account policy.

Finding 3: Determination of Contractor Need

Currently, TEBS policies and procedures do not provide detailed documentation requirements as to the determination of a contractor need or define a procedure for retaining formal analysis between a hiring a contractor versus County employee position. While informal discussions occur between the TOMs and the division that requires support, IT vendor and contractor management policies do not require these discussions to be retained as part of the contractor process.

During Fieldwork, SC&H verified through interviews that there is no formal documentation requirement in place for a TOM to formally document the need for a position or any analysis required as to what type of employee, contractor or County employee, is needed or in the best interest of the County. The TOM will create a TOPR to be sent to the MCCAT and LCAT vendors. The vendors responding to a TOPR will submit their proposal to the TOM. Contractor resumes will be sent to the County based on the TOPR's requirements and the TOMs will rank the candidates by the evaluation criteria. Currently, interviews are optional, and the highest rated individuals would be selected for an interview. The TOM will put together the task order award recommendation and submit it to the TEBS contract administrators. The Chief Information Officer (CIO) and Office of Procurement (Procurement) must approve the task order recommendation and then a purchase order can be executed for that contractor. SC&H randomly sampled five active TEBS contractors, and verified that there was no evidence documented or maintained detailing the need for contracting the position, and/or analysis as to the rationale for contracting vs hiring a full-time employee.

Risks
1. Lack of accurate and complete policies and/or procedures could result in inefficient or ineffective contractor selection activities.
2. Lack of accurate and complete discussion and documentation could lead to inappropriate contractor selection over County employee selection or inappropriate County employee over contractor selection, poor management of County funds and resources, and noncompliance with budgeted funds for positions or contracts.

Recommendation 3.1
TEBS Management should require formal documentation around the need of assistance and/or the decision between hiring a new employee versus a contractor. Formally documenting this process should provide justification and approval of the decision as it moves

forward and consistency amongst the contractor selection process. TEBS might consider drafting and implementing a formal memorandum to be required for all new full time and/or contractor personnel. This memorandum should include a discussion of the need, the complexity and skills required, the anticipated timeline of the services, and any additional considerations critical to hiring a contractor vs full time employee.

Recommendation 3.2
TEBS Management should develop a decision matrix to determine if greater efficiency could be achieved by have a County employee fill the role as opposed to a contractor to assist in staffing needs based on budget and funds available. Considerations might include estimated financial costs of leveraging a contractor versus county employee to determine total cost considerations associated with the position. Additionally, it might include a formal checklist designed to determine whether a contractor or County employee better "fits" a role such as length of estimated need, budget restrictions for current fiscal year, future needs of division, and any unique additional considerations based on the role or assistance needed. In conjunction with recommendation 3.1, this evidence would provide clear justification and approval for the selection of a contractor or County employee.

Finding 4: Contractor Selection

Currently, TEBS policies and procedures do not detail formal requirements to document and retain support for the selection of one contractor over another contractor. Interviews are considered optional per inquiry with OSAP VC; and even when interviews occur, there is no requirement to document selection choices. While informal discussions occur between the TOMs and the interviewers about candidates, there is no policy requiring this discussion to be documented.

Procurement Chapter 11B of the County Code includes formal requirements for selecting the highest ranked offeror in negotiations for any formal solicitations. While contractor selection is not a formal solicitation, the implied selection for the best contractor would be the highest ranked or rated contractor.

Neither Procurement nor OSAP VC policies and procedures formally require TOMs to document the selection of contractors, including but not limited to documentation to support selecting a contractor that does not have the highest rating amongst the other contractors considered during the selection process. Best practices would suggest that the highest ranked/rated contractor should be selected, unless there are other factors that would support the selection of a lower-ranked/rated contractor. In such a case, the basis for the selection of a lower-ranked/rated contractor should be documented and considered as part of the review and approval process for awarding the task order.

During Fieldwork, SC&H confirmed there is no formal documentation requirement for a TOM to maintain documentation supporting the need for a position and any analysis into what type of employee is needed or in the best interest in the County, an interview for selecting a contractor, or any documentation supporting the selection of a contractor. SC&H randomly sampled five (5) active TEBS contractors, and noted one (1) of the five (5) selected was not the highest ranked candidate. In addition, there were no additional notes or support within the respective ranking sheet to identify why this contractor was chosen over higher ranked candidates. In a separate sample, the contractor chosen had a lower score than a contractor that was not selected for an interview. There was no documentation available supporting this decision within the respective ranking sheet to determine why a specific contractor was interviewed and/or selected or not.

Risks
1. Lack of accessibility and transparency into contractor selection, documentation, and processes could result in opportunities to manipulate data/reporting and an inability to prevent and/or detect fraud, waste, and abuse of County funds and resources.
2. Lack of accurate and complete guidance on procurement policies could result in inefficient or ineffective contractor selection activities and/or non-compliance with Procurement Regulations.

Recommendation 4.1
TEBS Management should create a formal policy regarding contractor selection, including but not limited to the contractor selection process, requiring documentation regarding the selection of a contractor that does not have the highest rating, and documentation supporting contractor selection if an interview is not conducted.

Recommendation 4.2
OSAP VC team should implement a process to periodically review, approve, update, and communicate policy and procedure documentation to remain current and ensure all project management stakeholders are aware of up-to-date policies (e.g., annually, or when significant events that impact processes occur).

Comments and MCIA Evaluation

We provided the Department of Technology and Enterprise Business Services (TEBS) with a draft of this report for review and comment. TEBS responded with comments on June 25, 2021. The TEBS response has been incorporated in the report at Appendix C. TEBS stated that they have taken steps already to make enhancements in their processes, consistent with the recommendations contained in the report; and will take appropriate actions to build on the actions taken and to address the report recommendations. No changes have been made in the report based on the responses.

Appendix A – Areas of Focus: Vendor

Domain	Control #	Control Description
Governance	V1	Vendor management policies and standard operating procedures are documented, reviewed, and updated on an annual basis.
P-Card Usage	V2	Vendor services under 10K can be purchased with a P-Card or Direct Purchase Order (DPO). If a transaction is completed with a P-Card or DPO, it must follow Procurement's P-Card or DPO policy.
Vendor Lifecycle	V3a	TEBS contract administrators, with assistance (as needed) from OSAP VC team, are required to submit formal solicitation to procurement, assist with procurement process, negotiate and execute new vendor contracts. All contract documentation is maintained on the OSAP VC team contracts Team's site.
	V3b	TEBS contract administrators, with assistance (as needed) from OSAP VC team, are required to comply with Procurement regulations for bridge contracts. All contract documentation is maintained on the OSAP VC team Team's site.
	V4	All contracts are reviewed and approved by Chief Information Officer (CIO) and Procurement.
	V5	TEBS contract administrators monitor vendors on a periodic basis to ensure quality products or services are being provided to the County based on the contract or agreement. Any issues are documented and reported to OSAP VC team for resolution in a timely manner.
	V6	Administrative Procedure 6-7 is included in the RFP and may be included in the contract as well for contracts where Information Technology Security is a concern based on the purpose of the contract.
	V7	Contract administrators are notified of upcoming renewals to determine if contract should be renewed, amended, or terminated.
Vendor Access	V8	All vendor access is monitored and complies with Montgomery County User Access Policy and/or additional vendor policies.
Security	V9	All vendors, contractors, and County employees receive and follow the County Administrative Security Policy. The security policy is stored in an easily accessible location (shared drive or SharePoint site) that all users have access to.
Vendor Tracking	V10	OSAP VC team monitors and updates a master spreadsheet of all contracts and their current statuses. All supporting documentation for each contract is maintained and stored on a Team's site.

Appendix B – Areas of Focus: Contractor

Domain	Control #	Control Description
Governance	C1	Contractor management policies and standard operating procedures/requirements are documented, reviewed, and updated on an annual basis.
Security	C2	All contractors, and County employees receive and follow the County Administrative Security Policy. The security policy is stored in an easily accessible location (shared drive or SharePoint site) that all users have access to. Newly on boarded contractors complete security related onboarding procedures.
Contractor Selection	C3	TEBS management documents the departmental need and selects the best options for finding a candidate to fill the respective position.
	C4	A request for contractor engagement is approved and has a funding source prior to a task order being created.
	C5	A task order is completed, including all supporting documentation, and is retained for all contractors.
	C6	As required, contractors are ranked and interviewed, as needed, based on criteria established as part of the task order. The decision to select the contractor is documented as a part of the selection process.
Contractor Onboarding	C7	TEBS maintains a completed task order transmittal checklist for every new contractor selected by the county. The checklist is completed in a timely manner of the contractor being selected.
	C8	All contractors sign the initial onboarding documentation stating that they are contractors for the County. This documentation is maintained by the OSAP VC team for all contractors.
Renewals	C9	Every six months OSAP VC team must submit all documentation needed for the exemption renewal that all Montgomery County Government departments go through. Contractors cannot receive additional funding until exemption is approved.
Contractor Satisfaction	C10	TEBS task order managers address issues with contractors in a timely manner. The task order manager can either begin the process for a new contractor with a different vendor or utilize the same approved purchase order and select a new contractor.

Appendix C – TEBS Comments

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MEMORANDUM

June 25, 2021

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TO: Bill Broglie, Internal Audit Manager

Office of the County Executive

FROM: Gail Roper, Director *Gail M. Roper*

Department of Technology and Business Enterprise Solutions (TEBS)

SUBJECT: Formal Comments on Draft Report: Information Technology Audit Vendor an

Contractor Management – June 2021

Enclosed please find the Department of Department of Technology and Business Enterprise Solutions formal response to the Information Technology Audit Vendor and Contractor Management report issued by Internal Audit.

If you, or the audit firm working with you, have any questions relating to the attached, please contact Alison Dollar, Chief Budget Officer, or myself.

Attachment

cc: Alison Dollar, Chief Budget Officer, TEBS

TEBS Response

June 2021

TEBS intends to work towards increasing preventative and detective procedures and control activities to mitigate risks during the entire vendor and contractor contract life cycle, including implementing the audit recommendations. TEBS will also be working to increase the opportunities for innovation and agility in the management of the vendor and contractor life cycle.

TEBS agrees with the recommendations of the audit specific to the following areas:

1. Ensuring all vendor documentation including, but not limited to solicitation documents, contracts and amendments, and contract notifications are retained.
2. Implementing periodic reviews of user access to County systems to ensure only authorized vendors have access.
3. Requiring formal documentation to support the need for contractor assistance and the decision to address the need through a contractor versus a County employee.
4. Establishing requirements for formally documenting the basis for selecting a contractor.

In the coming months, TEBS is planning on hiring a new Vendor Contracts Manager position which will be a Manager III position, to oversee the vendor contracts team within the Office of Strategy and Planning. The Vendor Contracts Manager will be a full-time position responsible for carrying out improvements to the vendor and contractor management process and will lead the implementation of these findings.

TEBS will work on establishing formal departmental documentation retention requirements for recommendations 1, 3, and 4 with the input of relevant departments. After the documentation retention requirements are defined, TEBS will work with the Contract Administrators and other relevant stakeholders to educate them on the document retention requirements.

Reviews of admin and service account access for contractors has been addressed significantly for high-priority systems since the period of the audit. It is existing practice that all contractor access to MCG information systems through Active Directory expire every year at a minimum. Contractor access to information system must be reviewed and actively reinstated as a default.

In the specific instance mentioned in the report where a contractor was hired who was not initially the highest scoring compared to alternative contractors, the ratings were not updated after the interviews with the top candidates. However preliminary investigation from TEBS found no evidence of any wrongdoing.

TEBS would like to thank the Internal Auditor and the external audit team for the effort they have put into this audit. TEBS will work on implementing these recommendations to improve vendor contract management.