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# Inspector General's Annual Report of Activity

*for the Fiscal Year ended  
June 30, 2016*

September 22, 2016

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Montgomery County Maryland  
Office of the Inspector General

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### *A Message from the Inspector General*

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Montgomery County Code §2-151 requires the Inspector General to submit to the County Executive and Council an annual report on the activities of the Office and its major findings and recommendations during the previous fiscal year (FY). This message presents our report for the FY ended June 30, 2016.

This Annual Report of Activity describes our efforts relative to the three work plan initiatives we implemented during FY 2016: (1) *Selected payments, possible improper payments, and related controls*, (2) *Selected contract awards and oversight*, and (3) *Selected administrative processes*.

During FY 2016 our office:

- Worked with management of the County government and six independent county agencies in auditing each agency's purchase card policies and procedures. We researched best practices, identified 28 significant controls, and provided tables to each agency indicating which ones were specified in the agency's individual policies and procedures and which ones appeared to be missing. In most cases, management took the initiative to recognize and begin filling any gaps in documentation and practices that existed between their documented controls and the list of significant controls we provided.

As a result, the agencies strengthened their programs, by implementing new controls: three increased the use of detailed transaction data, three implemented annual reviews of whether cardholders should continue to have cards, one implemented a centralized review for appropriateness of purchases, one began delegating back up approvers for approvers with high numbers of cards to review, and one planned to limit the types of employees who could receive cards. As of the time we completed our review, most of the agencies were addressing the significant controls we identified to some extent.

- Resolved many complaints, including:
  - *Helped to stop a County resident from inappropriately receiving tax credit benefits as a result of listing two properties as principal residences;*

- *Helped to resolve two Division of Treasury erroneous real property tax bill posting entries;*
  - *Identified a College employee who exhibited unethical behavior which resulted in a formal reprimand; and*
  - *Helped to stop the use of brand specifications in College RFBs.*
- Recorded 103 issues, a 58% increase from 65 recorded in the previous 12-month period; and
  - Earned an unqualified opinion<sup>1</sup> from the Association of Inspectors General following its independent peer review of our operations, resulting work products, and related file materials chosen from closed investigations and completed audits and inspections. The review covered fiscal years 2013, 2014, and 2015.

Synopses of preliminary inquiries, an investigation, and referrals that did not result in formal reports are discussed in the body of this report. Inquiries referred to law enforcement entities are not discussed in this report.

During FY 2016, we completed and made publicly available the following nine reports. Summaries of each are presented in the body of this report.

- *Preliminary Inquiry Memorandum: Montgomery College Alumni Magazine (November 2015).*
- *Report of Maryland National Capital Park and Planning Commission Purchase Card Policies and Procedures (January 2016).*
- *Report of Montgomery County Revenue Authority Purchase Card Policies and Procedures (January 2016).*
- *Report of Washington Suburban Sanitary Commission Purchase Card Policies and Procedures (January 2016).*
- *Report of Report of Montgomery College Purchase Card Policies and Procedures (January 2016).*
- *Report of Housing Opportunity Commission of Montgomery County Purchase Card Policies and Procedures (February 2016).*
- *Report of Montgomery County Public Schools Purchase Card Policies and Procedures (February 2016).*
- *Report of Montgomery County Government Purchase Card Policies and Procedures (March 2016).*
- *Capstone Report of Montgomery County Government and Independent County Agencies Purchase Card Policies and Procedures (March 2016).*

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<sup>1</sup> An independent auditor's judgment that the audit organization's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

As of June 30, 2016, 12 audits, investigations, inquiries, or referrals remained in progress.

I recognize and appreciate the significant assistance and support provided to this office by Council members, the County Executive, other elected and appointed County leaders, and their staffs during this year.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "E. Blansitt III". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Edward L. Blansitt III  
Inspector General

# Annual Report of Activity for the Fiscal Year ended June 30, 2016

## Montgomery County Maryland Office of the Inspector General

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## **MONTGOMERY COUNTY, MARYLAND**

### **OFFICE OF THE INSPECTOR GENERAL**

#### **STATUTORY RESPONSIBILITIES**

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Our office was established by the Montgomery County Council in 1997. We are an independent office that adheres to *Government Auditing Standards*<sup>i</sup>, the *Quality Standards for Inspection and Evaluation*<sup>ii</sup>, and the *Quality Standards for Investigations*<sup>iii</sup> in addressing the following responsibilities prescribed by Montgomery County Code §2-151:

1. review the effectiveness and efficiency of programs and operations of County government and independent County agencies<sup>iv</sup>
2. prevent and detect fraud, waste, and abuse in government activities
3. propose ways to increase the legal, fiscal, and ethical accountability of County government departments and County-funded agencies

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<sup>i.</sup> *Government Auditing Standards*, U. S. Government Accountability Office.

<sup>ii.</sup> *Quality Standards for Inspection and Evaluation*, issued by the Council of the Inspectors General on Integrity and Efficiency.

<sup>iii.</sup> *Quality Standards for Investigations*, issued by the Council of the Inspectors General on Integrity and Efficiency.

<sup>iv.</sup> The independent County agencies are the County Board of Education and the County school system, Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Montgomery College, Housing Opportunities Commission, Revenue Authority, and any other governmental agency (except a municipal government or a State-created taxing district) for which the County Council appropriates or approves funding, sets tax rates, or approves programs or budgets.

## Introduction

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As this report demonstrates, the Office of the Inspector General (OIG) issued 9 reports in FY 2016, in addition to researching and resolving many complaints. This was accomplished with only a modest increase in resources.

In terms of available resources, the OIG was authorized seven full-time equivalent (FTE) positions in FY 2016, which was an increase of two FTEs. However, we experienced difficulty in recruiting and bringing onboard the two newly-approved positions to serve the full fiscal year. We were able to start one of these personnel in November 2015, but the other position could not be permanently filled until July 2016. One of the primary reasons for this late start was that, although we brought onboard an Assistant Inspector General in April 2016, that individual was called within five weeks of hire to active military duty in Eastern Europe. This required us to start the recruitment and hiring process anew.

The operations of the office are staffed with an Inspector General, a Deputy Inspector General, and five Assistant Inspectors General<sup>2</sup>. The operating budget, displayed in the table below, presents the resources (personnel and operating) that were provided to support the OIG. The large unexpended balance relative to the amount budgeted resulted from our inability to timely hire personnel as well as our limited use of subject matter experts.

OIG Resources		Budget	Actual	Unexpended
FY 2016	Personnel	980,775	839,645	141,130
	Operating	68,302	19,552	48,750
	<i>Appropriation</i>	<i>1,049,077</i>	<i>859,197</i>	<i>189,880</i>
	PY Encumbrance	378	378	0
	<i>Total Resources</i>	<i>1,049,455</i>	<i>859,575</i>	<i>189,880</i>

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<sup>2</sup> One of the five Assistant Inspector General positions was filled with five intermittent staff members, whose combined yearly work hours are the equivalent of one full-time work-year.

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## Montgomery County Maryland Office of the Inspector General

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### FY 2016 Performance Measures

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Performance measures are set by the Inspector General to assess the office’s progress in processing complaints, conducting preliminary inquiries, and issuing quality reports timely. In FY 2016, the measures of the OIG’s performance showed continued success in all areas but two:

- Our completion of projects within six months continues to be a challenge as our emphasis on addressing emerging issues as they arise requires that work on some less time-sensitive projects be temporarily put on hold.
- The percentage of recommendations accepted was heavily influenced by the nature of our 2016 reports: 8 of the 9 reports addressed purchase card policies. When we recommended changes to such policies at the County and independent County agency level, there was in some cases hesitation to accept them without further consideration. To be conservative, we did not consider this “acceptance”. This caused our performance measure to drop to 33%.

Performance Measures	Goal	2015 Actual	2016 Actual
Percent of incident reports reviewed and action initiated within 5 business days:	90%	94%	99%
Percent of inquiries completed within 60 days:	70%	86%	83%
Percent of incident reports resolved or referred to management within 90 days:	70%	96%	95%
Percent of audit/inspection/investigation reports completed within 6 months:	50%	55%	11%
Percentage of audit/inspection/ investigation recommendations accepted:	67%	93%	33% <sup>3</sup>

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<sup>3</sup> During FY 2016, of the 9 reports issued, three contained formal recommendations – there were 6 recommendations in total. Of the six formal recommendations, management clearly agreed to implement two. In other cases, management stated it “will evaluate” the issue, “will take into consideration” the issue, or “is investigating” the issue.

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**Organizational Accomplishments**

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During FY 2016, our office:

- Earned an unqualified opinion<sup>4</sup> from the Association of Inspectors General following its independent peer review of our operations, resulting work products, and related file materials chosen from closed investigations and completed audits and inspections. The review covered FY's 2013, 2014, and 2015;
- Received and logged 103 complaints, a 58% increase from FY 2015's 65 complaints; and
- Coordinated with management of the County government and six independent county agencies in reviews of each agency's purchase card policies and procedures.

In October 2015, representatives from the Association of Inspectors General (AIG) completed a peer review (covering FYs 2013, 2014, and 2015) of the Office of the Inspector General (OIG). The peer review assessed the work of the OIG for compliance with AIG Principles and Standards for the Offices of Inspector General, United States General Accountability Office (GAO) Government Auditing Standards, and the standards set by the Council of Inspectors General on Integrity and Efficiency (CIGIE). The peer review team concluded that the OIG met relevant standards for the period under review. There were no qualifications on their opinion.

The Peer Review covered the OIG's operations, resulting work products, and related file materials that were chosen from closed investigation and completed audits and inspections for the covered FYs. The Peer Review's scope, in addition to the OIG's operations and work products, included the OIG's compliance with relevant policy and process manuals and procedural guides; staff qualifications; and professional training requirements.

**Implementation of FY 2016 Work Plan**

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***Work Plan Priorities***

During FY 2016, we followed the priorities described in our Work Plan. We focused on promptly reviewing each complaint that is received, conducting preliminary inquiries when appropriate, and responding to each complainant who provided us with their contact information.

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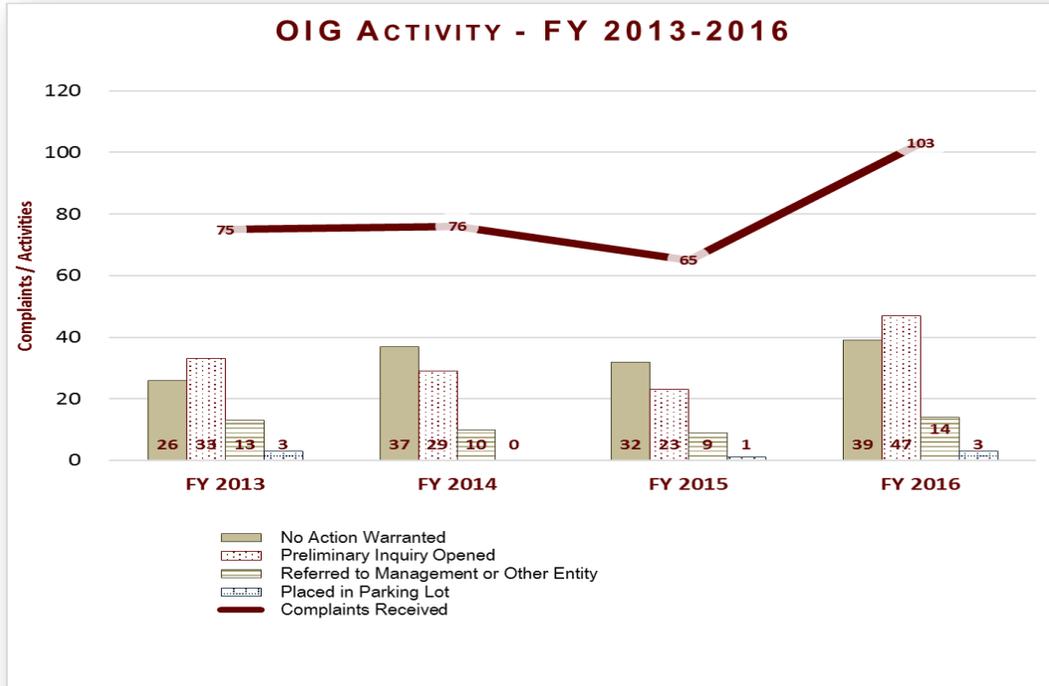
<sup>4</sup> An independent auditor's judgment that the audit organization's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

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Specific audits initiated and/or completed were consistent with those presented to the Council in our FYs 2014-2017 Work Plan.

The chart below provides a picture of OIG activities from FYs 2013- 2016.



### *Audit/Investigation/Inspection Activities*

During FY 2016, the OIG completed and implemented the following efforts:

- Between July 1, 2015 and June 30, 2016, we recorded 103 complaints from which we opened 47 Preliminary Inquiries (PIs). Over twice the number of PIs were opened in 2016 (47) as were opened in 2015 (23).
- We issued 9 reports that could be made public.
- We referred 14 complaints to other entities.
- We had 12 audits, investigations, and inspections in progress as of June 30, 2016.

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***Significant Work In Progress***

At the end of FY 2016, there were several projects that were nearing completion. Although most of the information has been collected and analyzed, reports addressing each review are being developed and will be shared with the entities. A number of unanticipated interruptions have delayed completion of the work.

The most significant on-going work in progress is as follows:

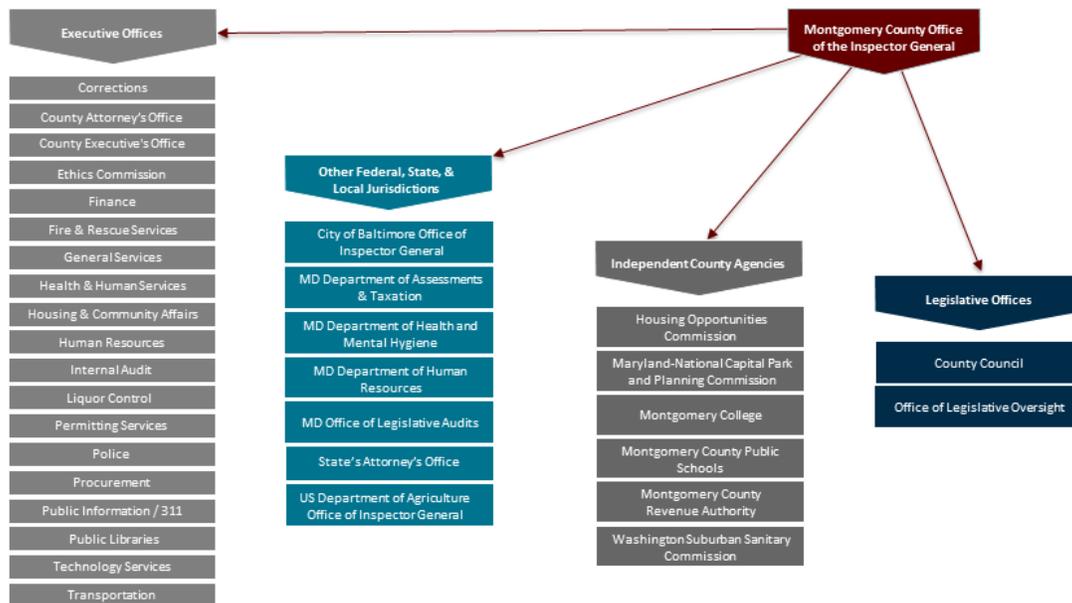
- Billing Processes of Medicaid and Medicare Claims and Procurement Practices at the Department of Health and Human Services;
- Analysis of County Cash Disbursements and Accounts Payable Data;
- Review of Maryland Treatment Centers at the Department of Health and Human Services;
- Follow-up Review of Alcohol Inspections at the Department of Liquor Control and Board of License Commissioners; and
- Follow-up Review of Preventive Maintenance and Compressed Natural Gas Inspections of Ride-On Buses at the Department of General Services.

# Annual Report of Activity for the Fiscal Year ended June 30, 2016

## Montgomery County Maryland Office of the Inspector General

Our work offers us the opportunity to contact many federal, state, and local government agencies each year. In 2016, we contacted and worked with the following entities.

### FY 2016 MCOIG CONTACTS



### *Professional Relationships and Outreach*

The OIG maintains memberships with the Association of Inspectors General and the Association of Government Accountants, which enhances overall performance and broadens our staff's professional perspective. The IG and OIG staff are actively engaged in educating Montgomery County government employees and the public about preventing fraud, waste, and abuse. During this FY a presentation was given to the County's Office of Human Resources, providing them with the functions of our office as well as explaining their responsibility in reporting instances of fraud, waste, and abuse to us.

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### **Montgomery County Maryland Office of the Inspector General**

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OIG staff also met with state and federal auditors, prosecutors, and other Inspectors General during the FY. We participated in meetings, conferences, forums, and training symposiums. During these meetings, standards applicable to the Audit and Inspector General communities were discussed along with other matters of mutual interest. The following highlights some of those activities:

- Conference Co-Chair, Association of Government Accountants (AGA) Conference, “Internal Control and Fraud Prevention Training”;
- Panel Speaker, AGA Conference, “Professional Development Training”;
- Board Member, Association of Inspectors General, D.C. Chapter;
- Panel Leader, AGA Montgomery/Prince George’s County Chapter Spring Meeting, “Analysis of Internal Control Requirements”

#### ***Leveraging Resources***

The summaries of referrals and unpublished preliminary inquiries closed during the reporting period are presented in the following section of this report. In many cases these reflect our work with management within County government and independent county agencies, the Ethics Commission staff, and law enforcement in our efforts to respond to complaints reported to our office. These activities continue to enhance our effectiveness without sacrificing our independence or objectivity.

Summaries of those reports that were made publicly available during the course of the reporting period are presented in the final section of this report.

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## Montgomery County Maryland Office of the Inspector General

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### Summaries of Unpublished Preliminary Inquiries, an Investigation, and Referrals to Other Entities Closed in FY 2016

*(It is OIG policy to respond to Complainants with the results or conclusions on each matter. In each of the following summaries, we have done so, unless the complaint was anonymous.)*

#### *Preliminary Inquiry: MCPS' Free and Reduced Price Meals*

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*OIG-16-044*

**Complaint Summary:** The OIG received a citizen's complaint of possible corruption with respect to the participation of Montgomery County Public Schools (MCPS) in the National School Lunch Program (NSLP), a federally assisted meal program. The complaint had also been made to the office of a County Councilmember. The complainant alleged "corruption" in the County's school lunch program by participation of ineligible students.

NSLP, under the auspices of the United States Department of Agriculture (USDA) through state education entities, provides reimbursements and/or subsidies to school systems for meals served under the program. USDA establishes meal and nutritional requirements for the meals served under the program. Under the program, three categories of meals are served to children. Based on eligibility guidelines, some students receive free meals, some receive meals at reduced prices, and those who do not qualify for a subsidy (based on family income) pay for their meals.

In accordance with the Richard B. Russell National School Lunch Act (Russell Act), school districts are required to issue and file Food and Nutrition Service (FNS) Form 742 annually, verifying the eligibility of program participants receiving free and reduced price meals. Specifically, the Act requires school districts to verify the incomes reflected in the smaller of 3% or 3,000 of approved applications. Additionally, the Maryland State Department of Education (MSDE) reviews the County's participation in the NSLP once every three years. The last of these reviews was done in 2014.

**Outcome:** As part of its inquiry the OIG interviewed individuals, as well as acquired and reviewed relevant and pertinent program documentation. The individuals interviewed included officials at the state and federal levels who possessed both responsibilities and information with respect to the NSLP. The documentation/information reviewed included applicable laws and regulations concerning NSLP, NSLP statistics related to student participation in the lunch program, and relevant verification reports filed by MCPS concerning NSLP.

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The OIG determined that approximately 150,000 students participated in the County NSLP during school years 2013-2014, 2014-2015 and 2015-2016. In analyzing the data, the OIG determined that while the number of students receiving free meals and paying for meals increased between 2014 and 2016, the number of students receiving reduced price meals decreased in the same time frame.

MSDE's 2014 review of the County's participation in the NSLP found that MCPS complied with the sampling requirements of the Russell Act. MSDE found that "all meals for eligible students were accurately reported and certification documentation was correct." MSDE found that a test of 590 students receiving free or reduced price meals yielded a 100% compliance rate and no errors were found.

As a result of the mandate of the Russell Act that school systems verify the eligibility of program participants by way of a sampling of applications, and given the results of the most recent MSDE testing, the OIG could not ascertain or find any indicators of potential impropriety with respect to eligibility of participation in the program.

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#### *Preliminary Inquiry: SNAP Benefit Processing*

*OIG-15-052*

**Complaint Summary:** A complainant contacted our office indicating that the process of requesting restored Supplemental Nutrition Assistance Program (SNAP) benefits from the Montgomery County Department of Health and Human Services, Germantown Office was met with resistance and unprofessionalism of staff unwilling to provide assistance.

**Outcome:** The complainant's SNAP benefits were restored. As part of a broader review, OIG staff discussed issues about the County's administration of SNAP benefits with several non-profit advocacy groups. None were able to provide statistics regarding the applicants served or nature of complaints. OIG staff also spoke with the Maryland Department of Human Resources, Constituent Services Office (CSO), whose mission is to help citizens obtain information about programs and gain access to services administered by the Department of Human Resources. Montgomery County SNAP applicants routinely receive assistance from that office. The CSO provided a report of SNAP benefit complaints received in 2015. The CSO reported that they were in the process of obtaining a new electronic record-keeping system and expressed an interest in requesting that system have the capability to log complaints by each assistance office. No further action was warranted and the matter was closed.

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### Montgomery County Maryland Office of the Inspector General

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#### *Preliminary Inquiry: Radio Contract Award*

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OIG-16-047

**Complaint Summary:** The OIG received a complaint via telephone in which a complainant alleged possible contract steering with respect to the awarding of a contract for the upgrading of the County public safety radio system. The complainant alleged that two vendors submitted bids - one vendor was technically qualified and the other was not. The complainant alleged that the selection committee was favoring the vendor who did not meet the technical qualifications and was also more expensive. The complainant stated that he had documentation to support his complaint.

**Outcome:** The OIG initiated a Preliminary Inquiry in which the complainant was asked to furnish the documentation that he stated he possessed; however, no supporting documentation was supplied. In a further follow-up by OIG staff with the complainant, we were informed that the County had changed course and was no longer pursuing awarding the contract to the unqualified vendor. He indicated that he would apprise OIG when he received confirmation of the change in course.

Pursuant to OIG follow-up, the complainant informed the OIG that the qualified vendor would be receiving the award. This was confirmed by OIG staff through the Procurement Department's website and the complainant was notified that the matter would be closed.

#### *Preliminary Inquiry: Unfair Staff Promotions*

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OIG-16-045

**Complaint Summary:** The OIG received an anonymous complaint via the mail indicating that within a County office, staff were being promoted without advertising the positions, and unqualified people were benefiting. The OIG initiated a Preliminary Inquiry to address the complaint. The Preliminary Inquiry included interviewing Office of Human Resources (OHR) personnel as well as reviewing relevant personnel records, correspondence, and regulations.

**Outcome:** Our review determined that the individual in question had technically not been promoted but rather there had been a reclassification of the position. Further, it was determined that the reclassification had been done in accordance with County Personnel Regulations. Specifically, Section 9-4 of the regulations allows for incumbents of positions to ask the OHR director to "review the classification assignment of a particular position during the month of June." The process, as delineated in the regulation, calls for the OHR director, among other things, upon request "to review the classification of an individual position . . . to determine whether or not the position's duties and responsibilities are properly assigned and classified."

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The OIG inquiry verified that the incumbent employee requested the reclassification in June and that the OHR review was conducted and a final decision was rendered that provided a reclassification of the position. No further action was warranted and the matter was closed.

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#### *Preliminary Inquiry: Concerns with IT Contractor Billed Hours*

OIG-16-048

**Complaint Summary:** The OIG received a complaint via email alleging that an information technology (IT) contractor had been billing for services provided for the last four years amounting to 5 to 10 hours per month. The complainant stated that the contractor has never shown up to work for the County. The complainant asserted that the County should not use an IT contractor for just 8 hours a month.

**Outcome:** OIG staff conducted interviews with the Department of Technology Services (DTS) managers who were responsible for approving the contractor's invoices/timesheets. Our review of invoices confirmed that the County was billed for work performed on a routine basis. Based on the invoices, it appeared that the contractor worked far less than full time, and hours billed varied each month. DTS officials explained that the contractor resides in Chicago but works remotely to resolve problems with PeopleSoft, the retirement administration portion of the County's Employee Retirement Plans (ERP). DTS officials provided that the contractor was heavily involved in incorporating the PeopleSoft into the Oracle system a number of years ago and is utilized to troubleshoot the system on an "as-needed" basis. No further action was warranted and the matter was closed.

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#### *Preliminary Inquiry: HOC Overpriced Home Purchase*

OIG-16-084

**Complaint Summary:** A complainant telephoned the OIG regarding a house that the Housing Opportunities Commission (HOC) purchased at a price that appeared to be priced over the market, given recent sales in the neighborhood. The caller provided the address and the addresses of properties that sold recently in the neighborhood. The State Department of Assessments and Taxation (SDAT) records confirm that HOC bought the property for \$405,000 in November of 2015 and that a house with the same square footage sold in January of 2015 for \$270,000. SDAT records also confirm the caller's allegation that the assessment is significantly lower. The caller is concerned that this may be a recurring problem, and that perhaps HOC does not have properties appraised before buying them.

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**Outcome:** Our review found that HOC held the mortgage on the home and had to foreclose. HOC attempted to auction the property in which the sought opening bid was \$405,000, which represented debt plus costs incurred by HOC; however, no bids were received. HOC indicated that they plan to list the house on the market at a price that is more in line with surrounding properties. No further action was warranted and the matter was closed.

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#### *Preliminary Inquiry: Montgomery County Police Department K9 Practices*

*OIG-16-009*

**Complaint Summary:** The OIG received numerous complaints from a complainant alleging fraud, waste, and abuse in the Montgomery County Police Department's (MCPD) K-9 unit. The complaints centered in part on the assertion that K-9s were being used for monetary gain by breeding the dogs for profit; training K-9s includes time and money and after which the dogs are improperly deemed unfit for duty; K-9s were being separated from their partners without cause; and money had been donated to the MCPD to be used for the K-9 unit but was allocated elsewhere in MCPD. The Complainant further alleged that leaders within MCPD are aware of these issues and nothing was done. The complainant provided that they had written documentation to support the alleged claims.

**Outcome:** OIG interviewed the complainant, and determined that the validity of the complaints was based on hearsay. The OIG was not able to substantiate if MCPD K9's were being used to generate profit. It was determined that there had been cause for the removal of one K-9 from its partner; however, the dog was returned; and that a donation was made to the MCPD from a non-profit organization; but there was no wrongdoing in relation to where the money was used. The OIG notified the complainant that the issues would not be further pursued.

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#### *Preliminary Inquiry: Improper Practices at the Montgomery County Library*

*OIG-16-016*

**Complaint Summary:** The OIG received an allegation from an employee that a supervisor has periodically been taking small dollar amounts from the cash register that holds cash received from patrons satisfying library fines. The dollar amounts reportedly taken had been approximately \$20 per instance. The complainant also alleged that her supervisor harassed her by requiring her to pay for their lunch on several occasions. The complainant alleged that library staff would corroborate her claims.

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**Outcome:** The OIG met with the complainant, who revealed several poor cash handling procedures and practices at MCPL. However, at the time of the interview, the complainant did not provide any evidence supporting the claims. A meeting also occurred with a staff member that the complainant said would corroborate her claims; however, that staff member yielded no awareness of theft by anyone at the library. We also met with library officials, who advised us that the Library plans to have Internal Audit do a review of all of the cash handling internal controls at the Library. No further action was warranted and the matter was closed.

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#### *Preliminary Inquiry: Improper Use of County Vehicle*

OIG-16-019

**Complaint Summary:** The OIG received an anonymous complaint alleging that a supervisor was using a County vehicle for personal use. The complainant contended that the supervisor's personal vehicle was not working and was parked in a County parking lot where County vehicles are parked.

**Action Taken:** The OIG conducted two site visits to the County parking lot where the employee's personal vehicle was supposedly parked. On each visit, there was no evidence to validate the complainant's allegation. No further action was warranted and the matter was closed.

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#### *Preliminary Inquiry: Property Tax Payments*

OIG-16-068

**Complaint Summary:** The OIG received a complaint concerning inaccurate posting of real property tax payments for the semi-annual real property tax payments against his outstanding 2015 tax obligation. The complainant provided information about both 2015 installments of the Montgomery County Real Property Tax bill. The first installment payment was dated September 10, 2015, and was written for the amount of \$2,501.52. However, this check was posted against the Complainant's bank account for the amount of \$250.52. The second installment, dated December 11, 2015, for the amount of \$2,501.48 was posted for \$250.48. The complainant reports that MC311 was contacted about both events and the erroneous bank posting items were corrected on December 11, 2015 (first installment) and January 15, 2016 (second installment).

**Outcome:** The OIG contacted the Division of the Treasury about this complaint, requesting that the OIG be briefed on the nature of the problem, the steps that had been taken to address the matter, and controls that have been implemented to help prevent recurrence. On March 11, we received a response to our requests, providing copies of the posting documents and checks, and

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advising us that the matter had been resolved by Treasury staff. The OIG noted that the individual checks were hand-written in an unusual manner which probably led to the posting error. No further action was warranted and the matter was closed.

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#### *Preliminary Inquiry: Pension Benefits*

OIG-16-097

**Complaint Summary:** A former County employee alleged that the County was planning to pay him pension benefits prior to his becoming eligible for them. The complainant believed that he would not become eligible for pension benefits for five years, when he will be 60 years old. The complainant expressed concerns that the County's system for determining benefit eligibility was a poorly designed system, and that his case might not be an isolated mistake.

**Outcome:** The OIG agreed with the complainant's interpretation of current County law but decided to close the matter after receiving information from the County, forwarded by the complainant, indicating that he was entitled to receive pension benefits at age 55 under past policies.

Section 33-38 of the County Code provides that if someone in the complainant's group worked for the County for at least 30 years, he can receive pension benefits at age 55. If he worked for the County less than 30 years, but at least 5 years, which is the complainant's situation, he can receive benefits at age 60.

The complainant forwarded the OIG a letter and an email from the Executive Director of the Montgomery County Employee Retirement Plans, which contained an explanation of the County's calculation of the complainant's eligibility date based on past policies. The letter stated that at the time the complainant left County service, which was before 2011, the County's Office of Human Resources calculated the eligibility date based on "imputed service which means you are given credit for the years up to your normal retirement date, although you did not work for the County." In 2011, the Chief Administrative Officer (CAO) determined that service would no longer be imputed. The CAO decided, upon the recommendation of the County Attorney, that for people who had already been notified by the County of a date certain for retiree payments, the County would honor those notifications. The complainant had received such a notification. Based on this information, the OIG concluded that the complainant is eligible to receive pension benefits in 2016.

# Annual Report of Activity for the Fiscal Year ended June 30, 2016

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### *Preliminary Inquiry: Violations of County Law*

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OIG-16-069

**Complaint Summary:** The OIG received a complaint alleging violations of County law in the Council consideration of the Westbard Sector Plan. The OIG met with the complainant to obtain details. The complainant provided that there were four issues related to violations of law: (1) the County Executive's Fiscal Impact Statement was not provided in the time required by law; (2) two Council Planning, Housing and Economic Development Committee packets were posted late, missing a deadline in the law; (3) the Planning Board incorporated into its plan zoning language dictated by the developer's attorneys in an open hearing; and (4) the Open Meetings Act was possibly violated.

**Action Taken:** As a result of our review regarding the four presented issues, we determined the following: (1) section 21-211 of the Land Use Article of the Maryland Code requires that the County Executive provide a fiscal impact analysis within 60 days after the Planning Board transmits the plan to the County Executive. However, section 21-104(b)(4), in the same division of the Land Use Article, states that a master plan or an amendment may not be deemed void on the ground that its consideration is inconsistent with this division of State law; (2) and (3) did not involve legal requirements; and (4) the OIG was not provided with evidence of who was at the alleged meeting, so it could not be determined whether there was a meeting or whether it violated the Open Meetings Act. No further action was warranted and the matter was closed.

### *Preliminary Inquiry: Public Schools' Heating, Ventilation, and Air Conditioning Contract Awards*

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OIG-14-042

**Complaint Summary:** A complainant who claimed to be an employee of Montgomery County Public Schools (MCPS) alleged a conflict of interest by an MCPS assistant director with respect to the awarding of Heating, Ventilation, and Air Conditioning (HVAC) contracts. The most significant allegation was that the assistant director, who worked in the construction division of MCPS, had given preferential treatment to a vendor/contractor (contractor) at which the assistant director's father-in-law worked and at which the assistant director had previously worked at some point. The alleged preferential and/or inappropriate treatment included:

- providing the contractor with project drawings, access for site inspections, and cost estimates in advance of pre-bid meetings, and
- awarding contracts to the contractor even though it was not the low bidder.

## Annual Report of Activity for the Fiscal Year ended June 30, 2016

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Further, it was alleged that the favored treatment of the contractor in the awarding of contracts resulted in the contractor winning the majority of the related contract work.

**Outcome:** The OIG initiated an inquiry. As part of the inquiry, the OIG interviewed individuals, consulted with ethics officials, and reviewed relevant documentation. The OIG determined that the assistant director, who had disclosed the relationship in his financial disclosure filings, did have a role in the awarding of contracts. However, the evidence we found did not substantiate the allegations of preferential treatment:

- The OIG could not determine whether any bidder/contractor received advance information that was not available to other bidders.
- The OIG evaluated 112 awards and found that the contractor submitted a bid in 94 instances, was successful in 33 of the 94 instances, and was the lowest bidder in each of those instances.
- This data indicated both that the contractor was the low bidder in every contract awarded and that the contractor did not win the majority of work on which it submitted bids.

Further, the OIG determined that the employee's involvement in that process in which the in-law's entity participated did not violate any applicable conflict of interest provisions. In consultation with the Maryland State Ethics Commission and the Montgomery County Ethics Commission (MCEC), as well as reviews of relevant ethics regulations, the OIG confirmed that MCPS employees are not subject to county or state ethics rules or regulations, but rather to the ethics rules and regulations of the Montgomery County Board of Education (BOE). Unlike the Montgomery County Government's ethics rules, the BOE ethics rules do not prohibit employee participation in matters in which an in-law has an interest.

While this situation is not inconsistent with the applicable standards for MCPS, the OIG notes that the Montgomery County Government has found the potential for inappropriate influence in such situations and modified its ethics law.

The OIG advised the MCPS Chief Operating Officer of this matter in a confidential draft memorandum dated March 17, 2016 explaining this allegation and, upon subsequently concluding the inquiry, has closed this matter.

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#### ***Investigation: Anonymous Allegation of Improper Transaction by Elected Official***

*OIG-16-018*

**Complaint Summary:** The Ethics Commission (Commission) requested that the OIG initiate, on the Commission's behalf, an investigation into alleged receipt by an elected official of special and inappropriate treatment with respect to a financial transaction. The anonymous complainant

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alleged that this elected official was given a “sweet heart [sic] deal”. Based on the request, the OIG initiated an investigation into the matter.

As part of its investigation, the OIG interviewed individuals and reviewed relevant and pertinent documentation.

**Outcome:** As a result of the investigation, no evidence was found to indicate that the terms of the transaction negotiated with the elected official were unusually favorable to the official. Results of the investigation were reported to the Ethics Commission.

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#### *Referral: Abuse of Overtime at DHHS*

*OIG-14-067*

**Complaint Summary:** The OIG received a complaint alleging that DHHS employees were abusing overtime that centered in part on: (1) completing work during regular hours and claiming it as overtime; (2) working from home and claiming overtime; (3) working from the office on Saturdays with no supervision and claiming overtime; and (4) falsifying overtime logs by reporting regular hours as overtime hours.

**Outcome:** The OIG referred the matter to the Office of the Chief Administrative Officer (CAO) who directed the Chief Operating Officer of DHHS to conduct an investigation. Based on an investigative memorandum provided by DHHS, the CAO found no evidence of overtime abuse. Overtime is required to be preapproved and tied directly to specific casework. Only the allegation that staff is working in the office on Saturdays with no supervision was found to have merit. However, this is a management decision, intended to eliminate the additional overtime costs of having a supervisor present on the weekends. No further action was warranted and the matter was closed.

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#### *Referral: Questionable Hiring and Work Hours*

*OIG-15-060*

**Complaint Summary:** The OIG received an anonymous complaint alleging that an M-NCPPC employee working at Brookside Garden’s Horticulture Forestry and Environmental Education Division (HFEE) was hired unfairly for a full-time position with benefits, but was only working part-time. The complainant stated that management at HFEE was aware of this and is allowing this practice to occur.

**Outcome:** The OIG referred this matter to M-NCPPC and asked them to investigate, and upon completion to provide the OIG with the results of its review. M-NCPPC’s Office of Internal

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Audit (OIA) conducted a review of the allegations to determine if fraud, waste, or abuse was occurring by HFEE management. According to the OIA, they were unable to substantiate the allegation. However, they provided M-NCPPC with recommendations to strengthen internal controls. The recommendations centered, in part, on recording actual time worked, documenting agreed upon compensatory leave time, and transparency of work conducted outside of M-NCPPC. No further action was warranted and the matter was closed.

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#### *Referral: Handicapped Parking Abuse*

OIG-16-023

**Complaint Summary:** A citizen reported that he observed a County vehicle bearing a Maryland government license plate as well as a "Montgomery College" sign on the side pull into a clearly marked Handicapped Only parking space near the entrance to the Wheaton Mall food court. The complainant reported that there were no other handicapped spaces available after the county employee driver took this one and stated that he asked the driver nicely why he was parked in a handicapped spot as he was not handicapped and the vehicle had no handicapped markings. The driver responded in a rude manner.

**Outcome:** The OIG referred this matter to Montgomery College for appropriate investigation and resolution. We received notification from the College indicating that they confirmed the allegation and that the appropriate disciplinary action was taken.

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#### *Referral: Dual Principal Residence Designations*

OIG-16-032

**Complaint Summary:** The OIG received an anonymous complaint regarding a homeowner who has Principal Residence designations on two Montgomery County properties; one is actually a rental and the other a principal residence. The complainant asserted that both properties have held the Principal Residence designation for four years.

The OIG confirmed the appearance of Principal Residence designation, Tax Credit, and common ownership of both properties via State Department of Assessments and Taxation (SDAT) and Montgomery County Department of Finance (MontCo DoF) records.

**Outcome:** The OIG referred this complaint to the MontCo DoF. MontCo DoF provided a response that its office is compiling a list that will include the properties in question that will be provided to the SDAT. MontCo DoF provides these listings quarterly. Upon receiving the quarterly list, SDAT reviews the accounts and determines whether to make the corrections that

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were requested. The County does not have the authority to change the residence status of a property account.

The County subsequently notified the OIG that SDAT is removing the principal residence occupancy code from one of the properties retroactively to 2013, and the County intends to send out revised bills for the years for which the Income Tax Offset Credit is removed.

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#### *Referral: Supplemental Food Assistance*

*OIG-16-039*

**Complaint Summary:** Complainant reports that the State's family support case management system indicates that she is receiving food supplement assistance from the State of Maryland. Complainant asserts she had not filed for nor is she receiving the indicated benefit.

Complainant reported that she receives child support, and was checking the State's system about those payments when she noticed a new link within her account to "Family Investments". The complainant reported that the link indicated that in 2004 an application had been submitted for a blind and disabled dependent supplement that had been declined by the State to avoid benefit duplication with an existing medical support benefit, and was approved for food supplements that had disbursed benefits in October and November of 2015. Complainant asserts that other than the State-managed child support settlement of a divorce decree, she had never filed for nor received any support benefit.

**Action Taken:** The OIG referred the matter to the Maryland Department of Human Resources OIG, requesting them to address the matter and to provide our office with an update and or resolution to this complaint. OIG policy is to, when possible, monitor the status of a referral for roughly six months, and then close the matter if we have not received a response. We have not received a response to this matter.

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#### *Referral: Real Property Tax Bill*

*OIG-16-040*

**Complaint Summary:** Our office received a complaint from a Montgomery County taxpayer purporting that she received a delinquent property tax notice in error, and when the MontCo DoF/Treasury Division was contacted to discuss the notice she was provided poor and rude customer service. The complainant states that the first installment of her property tax bill was paid timely by her mortgage provider, who is the MontCo DoF/Treasury point of contact for tax payments. Complainant indicates that the delinquency notice indicated that approximately

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\$2,000 was due. The complainant indicated that she never received a delinquent notice for the amount due as well as interest and penalties.

The Complainant reported that when she contacted the office she was placed on hold for 45 minutes, and once connected with a customer service representative she was provided with incorrect information. Complainant states she advised MontCo DoF/Treasury that she had not received any previous notification, and she did not believe the interest and penalties to be fair if the first notice she received was the delinquency and not a bill. Complainant asserts that the surcharge notice should have been sent to and paid by her mortgage company. She indicated that she contacted her mortgage company who reportedly advised her that they had not received any notification of additional payment due. We referred this matter to MontCo DoF/Treasury management.

**Outcome:** The complainant advised the OIG that she was contacted by a MontCo DoF/Treasury Customer Service Supervisor, who acknowledged that she had been provided with incorrect information from the Customer Service Representative, and apologized for the miscommunication. She was further advised that the amount owed would be included in her second yearly installment and that any interest and penalties would be waived. The complainant indicated she was satisfied with the outcome.

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#### *Referral: Tenant Fraudulently Living in Damascus Gardens Public Housing*

*OIG-16-059*

**Complaint Summary:** A complaint was received via email alleging that two people were living in a unit in Damascus Gardens for 8 to 10 years, in which one of these people is not listed on the lease agreement, and that they are not properly reporting income because it exceeds \$50,000 per year. The complainant also alleges that the family is receiving other government assistance. Further, the complainant alleges that Damascus Garden's Property manager is aware of these issues.

**Actions Taken:** Our office forwarded this complaint to the following government agencies to address the allegations: (1) Montgomery County Housing Opportunities Commission (HOC), who advised us that HOC does not have jurisdiction over this site; (2) the United States Department of Housing and Urban Development OIG, who advised us that we will only be contacted if additional information is needed; and finally (3) The Maryland Department of Human Resources OIG, who was not asked to, and did not, respond.

OIG policy is to, when possible, monitor the status of a referral for roughly six months, and then close the matter if we have not received a conclusive response. We have not received a response to this matter.

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#### *Referral: Inappropriate Manager Conduct*

OIG 16-075

**Complaint Summary:** The OIG received a complaint alleging inappropriate conduct by an acting manager at the Medical Assistance Unit of the Department of Health and Human Services. Specifically, it was alleged that the acting manager was inciting unit employees against an incoming manager before the individual had assumed the position. The conduct consisted of the acting manager issuing an e-mail to the staff, in which the acting manager states "It is not apparent from" the incoming individual's resume, which is publicly available, how the person meets the requirements of the position that is being assumed. The acting manager encouraged staff to contact the union about the incoming manager assuming the position.

**Action Taken:** OIG staff determined that the acting manager's conduct rose to the level of abuse, and as a result, the matter was referred to the Department of Health and Human Services for appropriate action with no further action by the OIG. This matter is closed.

#### *Referral: Parklawn Community Gardens*

OIG 16-076

**Complaint Summary:** An anonymous complaint was received alleging some county residents are denied gardening plots while multiple gardeners have more than one plot. As a result, many residents cannot obtain a plot and are placed on a waiting list. The complainant further contends that there is a lack of transparency because those would-be gardeners are not told the reason they are being wait-listed is because of the multiple assignment of lots to a single gardener.

**Action Taken:** The OIG referred this complaint to the Maryland-National Capital Park & Planning Commission, Montgomery Parks Division, We did not request a response, and we did not receive one. This matter is closed.

#### *Referral: Unsafe County Trees*

OIG-16-077

**Complaint Summary:** The OIG received a complaint from a county resident alleging that he had tried for 2 years to have the county trim or cut back trees along his property line. Complainant asserts that the trees are extremely large and were threatening his and neighbor's property as well as the land surrounding his property. The complainant provided that the Montgomery County Public Schools, Department of Facilities Management, which is responsible for the trees, refuses to trim and manage the trees, which would allow them to be more manageable and less dangerous.

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**Outcome:** The OIG referred this matter to the Director of the MCPS Department of Facilities Management. Our office received details of what had been done to address the complaint. The Department of Facilities Management conducted a review of the history of this complaint and determined that the homeowner as well as an arborist had been previously contacted by its staff. As a result of this complaint a contractor provided service to the trees in question and all trimming of dead wood had been taken care of. The contractor stated that the trees are healthy and need no further trimming. MCPS and the arborist believe the trees are currently safe.

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#### *Referral: Moderately Priced Dwelling Units*

*OIG-16-083*

**Complaint Summary:** A complainant contacted the OIG to report Moderately Priced Dwelling Unit (MPDU) fraud. The caller gave the name of a man who rented an apartment and received a rent subsidy based on his income. The caller states that a woman who is earning income is also living there, but that they have not reported her income. The caller believes that the combined incomes should disqualify them from the subsidy. The caller gave the address and the names of the man and the woman.

**Outcome:** The OIG referred this complaint to the Montgomery County Department of Housing and Community Affairs (DHCA), Affordable Housing Section, requesting that they conduct a review of the complaint. Our office received a response from the Affordable Housing Section of DHCA indicating that they would look into the matter and that appropriate action will be taken if warranted. Officials from DHCA provided that the individual in question completed the recertification process and was granted a renewed lease for another year. DHCA concluded that, based on the recertification by the property manager of the property in question, this matter is closed. The OIG therefore closed the matter.

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#### *Referral: Group Insurance Participants*

*OIG-16-101*

**Complaint Summary:** Our office received a complaint from an employee alleging that Group Insurance participants are often dropped from the insured rolls from month-to-month for no apparent reason. Complainant states that both active duty and retired personnel are dropped, but primarily retired participants are affected the most. The complaint contended that affected retirees often contact her. In the last 6 months she received 3 calls. According to the complainant, a possible reason for participants being dropped is due to the way the County provides monthly updates of participants whose status changed to the insurance carrier. The carrier often wants to see only the changes to coverage, but the County sends a full list of

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insureds. The complainant provided that she had brought this issue to the attention of management from the Office of Human Resources (OHR); however, the condition does not seem to get corrected.

**Outcome:** While the complaint appears to be within the purview of OHR, according to the complainant the OHR has not appropriately corrected this issue based on previous complaints. The OIG referred this matter to the Office of the County Executive (CEX), Internal Audit.

Operators at the County's MC 311 system receive most complaints of dropped insurance. The Internal Auditor worked with MC 311 to create separate codes to keep track of the number of such calls, both first-time and repeat, to determine the size of this issue. Further, OHR told the Internal Auditor that they plan to clean up their group insurance records around the end of this calendar year. This matter is closed.

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#### *Referral: Police Sergeant Abusing Government Time and Resources*

*OIG-16-103*

**Complaint Summary:** An anonymous complaint was received through the OIG website alleging that a Police Sergeant in the Field Services Bureau, Special Operations Division, was not completing his full-time shift, and was reporting overtime hours worked. The complainant further alleged that the Police Sergeant had been using a police vehicle during working hours to transport his kids or go out. The complainant provided that this conduct had been occurring from April 2014 to the time of the complaint in June 2016.

**Outcome:** The OIG referred the complaint to the Montgomery County Police, Internal Affairs Division. The Division stated that they will investigate this complaint, take appropriate actions if warranted, and provide our office with the outcome of their investigation. The Division responded to us, stating that it has determined that there were no administrative violations committed by the Police Sergeant. This matter is closed.

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### Summaries of FY 2016 Publicly Issued Reports

#### *Preliminary Inquiry Memorandum: Montgomery College Alumni Magazine*

*OIG PIM 16-001 (November 20, 2015)*

**Complaint Summary:** Montgomery College (the College) issued a Request for Bid (RFB) in July 2015 for the printing, binding, insertion, mailing and delivery of the fall edition of the alumni magazine, *Insights*. A complainant alleged that the RFB imposed an unnecessary geographic restriction and required a specific brand of paper (Opus), both of which resulted in a lost opportunity for the College to save a significant amount of money on the printing of the magazine. The complainant also alleged that the previous contractor who printed the spring 2015 magazine failed to use the required Opus brand of paper.

**Outcome:** The OIG confirmed that the July 2015 RFB for *Insights* magazine included a requirement that the bidder's prepress, printing presses, and production facility be located within 45 miles of the College's Rockville campus in order to facilitate the College's ability to conduct press checks during College business hours. The scope of work also specified 70# Opus Dull Text paper stock. We found that a reasonable number of local vendors submitted bids, and the geographic requirement resulted in the disqualification of the lowest bidder, whose printing press is located approximately 200 miles from Rockville. This competition did result in a contract priced \$32,974 lower than the amount the College paid for *Insights* publication in the previous year; however, if not for the geographic restriction, the College may have saved an additional \$10,000 per year on future publication of the magazine.

While conducting a press check may provide an additional reasonable opportunity to ensure a quality product, we did not find a press check to be a necessary or standard practice. Additionally, we concluded that specifications that include brand names are not standard practice and may limit competition and increase costs over a comparable or generic product.

Regarding the paper used for the spring 2015 magazine, although it appears that the College required a reasonable amount of documentation to ensure that the printer acquired the paper specified in the contract, the College could not confirm that the paper used was the brand specified but indicated that it appeared to be of the same quality.

We recommended that the College consider the costs compared to the benefits of the geographic restriction, and remove references to a particular brand of product from RFB specifications whenever practical.

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## Montgomery County Maryland Office of the Inspector General

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### *Capstone Report: Purchase Card Policies and Procedures of the Montgomery County Government and Independent County Agencies*

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*OIG Report 16-008 (March 16, 2016)*

#### **Background:**

Purchase cards billed centrally at the Montgomery County government and each of the independent County agencies are used for many purchases supporting their functions and totaled over \$50 million in fiscal year 2014.

Many organizations use purchase cards to save time and money in procurement, by reducing paperwork requirements and simplifying the purchasing process. The use of purchase cards can result in a significant reduction in the volume of purchase orders, invoices, and checks processed. An additional benefit to the use of purchase cards is the receipt of rebates.

In a purchase card transaction, even in a very large one, it is possible for the requisition, selection, purchase, receipt, and payment steps of a purchase to be performed by a single individual. Policies and procedures are necessary to ensure that such purchases are appropriate. Our audit was intended to determine the extent to which such policies exist and procedures are required at the entities for which the Montgomery County Code assigns us certain responsibilities.

The scope of our audit included examination of the purchase card policies and procedures of the following entities:

- Housing Opportunities Commission (HOC)
- Maryland-National Capital Park & Planning Commission (M-NCPPC)
- Montgomery College (College)
- Montgomery County government (County government)
- Montgomery County Public Schools (MCPS)
- Montgomery County Revenue Authority (Revenue Authority)
- Washington Suburban Sanitary Commission (WSSC)

We requested purchase card policies and procedures, laws and regulations from the County government and the independent County agencies. In addition, we looked at examples of recommended practices in the Federal Government and in the State of Maryland.

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### **Montgomery County Maryland Office of the Inspector General**

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Drawing from such authoritative sources, we identified 28 recommended significant controls over purchase cards. We grouped these controls into four categories for the purposes of our analysis:

- Controls over Assignment of Cards (7 controls that address who is issued and holds purchase cards.
- Cardholder Responsibilities (6 controls that are primarily related to the requirements placed on cardholders)
- Purchase and Payment Controls (13 controls that address restrictions on and reviews of purchases)
- Monitoring (2 controls addressing regularly scheduled audits and reviews of purchase data to detect errors and unauthorized charges)

The objectives of each audit were to: (1) determine the policies and procedures and related internal controls over purchases using purchase cards, including those that are not formally documented; and (2) identify any opportunities for improvement.

#### **Key Points in the OIG Report:**

We made findings and recommendations and noted other matters for consideration for some of the entities. These appear in the individual reports. Each individual report also contains a response from the chief operating officer of that entity.

We developed tables showing the significant controls we identified, and indicated which ones were specified in the County government's and each independent agency's individual policies and procedures. Early versions of the tables were provided to each agency for review and discussion. In most cases, management took the initiative to recognize and begin filling any gaps in documentation and practices that existed between their documented controls and the list of significant controls we provided.

As of the time we completed our review, most of the entities were addressing the significant controls to some extent. However, the three areas that needed continuing attention were the annual certification of cardholders, the review of approver workload, and monitoring of purchase transactions.

Annual certifications involve departments annually reviewing lists of cardholders to determine if the people on that list should still have purchase cards.

Approver workload is important because the implementation of controls will be poor if the approvers are overburdened and do not perform the tasks required of them. Approvers are usually a person from the cardholder's department who is at a higher rank than the cardholder.

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Approvers are typically required to indicate whether the cardholder's receipts and the transactions reconcile, and whether the purchases were appropriate.

In 2003, the U.S. General Services Administration (GSA) recommended that approvers not be responsible for more than 7 cards per month. The average number of cards per approver at all the entities was below the 2003 GSA recommendation of a limit of 7. However, there were individual approvers with high numbers of cards to review.

Most of the entities could be making more extensive use of their authority to audit card use regularly, and most could benefit from using detailed transaction data more extensively in conducting analyses to detect possible inappropriate card use. The State of Maryland and some Federal government agencies have implemented the analysis of this data, which is referred to as "Level 3" data. It includes data such as item descriptions, item quantities, and zip codes to which shipments are made. The Maryland Comptroller's Office reports that Level 3 data is provided by approximately 40% of U.S. merchants. During the course of our audit, three entities informed us that they were increasing their use of Level 3 data.

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#### *Report: Purchase Card Policies and Procedures of the Housing Opportunities Commission of Montgomery County*

*OIG Report 16-005 (February 2, 2016)*

#### **Background:**

In 1974, parallel State of Maryland and Montgomery County legislation was enacted to establish the Housing Opportunities Commission of Montgomery County, an independent County agency. Governed by a Board of seven Commissioners (the Commission) appointed by the County Executive and approved by the County Council, HOC is granted broad authority related to the provision of affordable housing and supportive services to low and moderate-income families of Montgomery County.

In March 2007, the Commission authorized staff to use purchase cards on a limited basis, largely related to conference travel and miscellaneous departmental purchases requiring a purchase card for payment. HOC's purchase card charges totaled approximately \$2.15 million on 15 cards in FY 2014.

#### **Key Points in the OIG Report:**

HOC's actual use of the purchase card conflicted with the instructions outlined in the "PNC Bank Visa Purchasing Card Policies and Procedures" (purchase card manual), which prohibited non-travel related expenses. In fiscal year 2014, 98% of HOC's purchase card usage was for

## **Annual Report of Activity for the Fiscal Year ended June 30, 2016**

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non-travel related expenses, which were not addressed in the purchase card manual. However, for 96% of HOC's FY2014 purchase card expenditures an accompanying purchase order, which has its own separate set of controls, was prepared.

While HOC averages 2.5 cards per reviewer, the Executive Director of HOC is responsible for reviewing 9 cards. This is slightly higher than the 2003 GSA recommendation, and may be burdensome, depending upon card usage.

HOC's purchase card manual authorizes the internal auditor to conduct "periodic operational and compliance audits" but HOC advised us that no audits or investigations specifically related to the use of purchase cards had been conducted. HOC stated that the internal auditor performs routine reviews of card activity, informing supervisors and the CFO if there are issues, and that purchase card activity is reported to the Commission quarterly.

Although we issued no findings or recommendations, we identified several other matters for consideration:

- (1) HOC would benefit from updating its policies and procedures related to purchase cards to ensure consistency with the actual intended use and control of the cards. Specifically, the HOC purchase card manual prohibits using the card for non-travel related expenses, even though these account for 98% of the purchase card dollars charged.
- (2) HOC would benefit from documenting controls over Assignment of Cards and Purchases and Payments that we identified as missing.
- (3) HOC should consider formally reassigning some of the Executive Director's approver responsibilities.

#### **Key Points in the HOC Executive Director's Response:**

The HOC provided a response acknowledging our report and our identified areas for consideration. HOC stated that they will evaluate our report and its recommendations and will take them into consideration as they update its Procurement Policy and Purchase Card Program.

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## Montgomery County Maryland Office of the Inspector General

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### *Report: Purchase Card Policies and Procedures of the Maryland-National Capital Park and Planning Commission*

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*OIG Report 16-001 (January 7, 2016)*

#### **Background:**

The Maryland-National Capital Park and Planning Commission (M-NCPPC or the Commission) was established in 1927 and is governed by the Code of Maryland. The Commission is bi-county with jurisdiction over Montgomery County planning and parks and Prince George's County planning, parks, and recreation. The five Commission members from Montgomery County make up the Montgomery County Planning Board and the five members from Prince George's County make up the Prince George's County Planning Board. M-NCPPC's mission is to manage physical growth and plan communities; protect and steward natural, cultural, and historic resources; and provide leisure and recreational experiences. M-NCPPC purchase card purchases in FY year 2014 supporting Montgomery County related functions totaled approximately \$5.0 million on 71 cards.

#### **Key Points in the OIG Report:**

We issued no findings, recommendations, or other matters for consideration in this report. After we informed M-NCPPC in November of 2015 of our conclusion that M-NCPPC might benefit from, in lieu of performing so many audits, conducting systematic data analyses using Level 3 detailed transaction data to detect inappropriate card use, the Chief Internal Auditor wrote that M-NCPPC Internal Audit is implementing a pilot program that involves the continuous review of Level 3 data.

We initially concluded that M-NCPPC might benefit from annually reviewing its cardholders and confirming that these people should have purchase cards. We communicated this to M-NCPPC, and in response, M-NCPPC advised us that M-NCPPC will incorporate this process into its procedures.

#### **Key Points in the M-NCPPC Executive Director's Response:**

The Commission appreciated our assistance in reviewing its Purchase Card Program and was encouraged that our review did not result in any formal findings, recommendations, or other matters for consideration. The Commission will strive to ensure that its programs promote fiscal accountability.

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## Montgomery County Maryland Office of the Inspector General

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### *Report: Purchase Card Policies and Procedures of Montgomery College*

*OIG Report 16-004 (January 28, 2016)*

#### **Background:**

Montgomery College is a multi-campus institution that serves nearly 60,000 students a year, through both credit and noncredit programs, in more than 100 areas of study. Purchase card charges billed centrally to Montgomery College totaled approximately \$9.97 million in FY 2014.

In 2014, Montgomery College's cards were made up of 319 general purchase cards and 7 travel cards. Our review encompassed both purchase and travel cards.

#### **Key Points in the OIG Report:**

The Purchasing Manager informed us that although the College has a structure in place for auditing purchase card use, it had not done so in recent years.

We issued no findings or recommendations; however, we identified two matters for consideration. First, for three types of Purchase Card Controls, Montgomery College did not document 2 out of 26 controls for its general purchase card, and it did not document 4 out of 26 controls for its travel card.

Second, we noted that seven of the 114 Montgomery College approvers are responsible for reviewing charges for a large number of cards, which may not allow them to adequately review card charges. We communicated to the College our conclusion that the assignments of cards to approvers with more than 10 cards to review should be examined to determine whether these approvers are over-burdened and that the College should regularly review its approver assignments to prevent approvers from becoming overburdened. After we informed the College of this conclusion, the Procurement Director described a process for redistributing the workload that the College intended to implement. However, we suggested that the College would benefit from further review to ensure this approval process is effective.

#### **Key Points in the College President's Response:**

The College President's response indicated that the College was making the following changes in response to the report:

- The cardholder certification processes will be modified to an annual certification process.
- All existing cardholder accounts are being examined as to frequency of use and monthly account balances with the goal of reducing the overall number of purchase cards, to the extent that any modifications would not prohibit daily operations for the unit.

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- A secondary approver will be identified for each primary card approver to address the workloads of individuals who are approvers.

The President also stated that a thorough review is being conducted of Merchant Category Code restrictions that may be placed on travel cards.

### ***Report: Purchase Card Policies and Procedures of the Montgomery County Government***

*OIG Report 16-007 (March 14, 2016)*

#### **Background:**

The Montgomery County government had approximately \$13 million in purchase card charges and 458 cards in FY 2014.

The County government participates in a consortium utilizing JPMorgan Chase MasterCard. Participants include MCPS, M-NCPPC, and other government agencies, including Fairfax County, Virginia. Rebates to participants vary based on total consortium purchases and how quickly payments are made, per individual contract.

The County government receives significant rebates from its purchase card use. According to the County, rebates are provided on a calendar year basis. For 2014, the information provided by the County is that the calendar year rebate was over \$200,000.

#### **Key Points in the OIG Report:**

Our report issued three findings:

1. We found that some County government approvers are responsible for reviewing charges for a large number of cards, which may prevent adequate review of card charges.
2. The County government does not perform regular audits of purchase card use. Although the Purchasing Card Administrator reviews declined transactions, high dollar transactions, and high-risk transactions and checks for potential split transactions, the County government is not conducting complete regularly scheduled data analysis, including using Level 3 detailed transaction data, to detect possible inappropriate card use.
3. We reviewed \$7.1 million of purchase card transactions for January through June 2015, and we found that the County government's purchase card manual appears not to reflect the County government's current business practices, in that the manual prohibits using the card for individual meals and does not address meals at meetings or after work hours.

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We recommended that County government should (1) annually review approvers workload, and based on that review add approvers and/or redistribute the workload among approvers; (2) implement a program of audits of compliance with purchase card policies and regulations, integrated with regularly scheduled data analysis using Level 3 detailed transaction data; and (3) update its purchase card manual related to food expenditures, possibly to consider guidelines for reimbursement of meal purchases at meetings and after work hours, which are in the County's administrative procedures for local and non-local travel.

#### **Key Points in the County Chief Administrative Officer's Response:**

The Chief Administrative Officer (CAO) agreed to evaluate the feasibility of providing activity statistics, by both cardholders and approvers, to department directors annually to determine changes needed to assigned cardholders or approvers. The CAO wrote that the Department of Finance will plan to work with departments whose approver workload may be excessive, based on factors such as non-timely reviews and non-compliance with program policies.

The CAO agreed with the benefit of more extensive audits and is strongly committed to performing regular reviews, audits, and formal monitoring of Purchase Card transactions. Finance is in the process of developing reports that would provide for the types of data analysis described in the OIG report. The CAO also stated that Finance will reevaluate data analysis tool options available in the industry.

The CAO concurred that the guidance in the purchase card manual related to food expenditures could be updated to be clearer. The CAO provided that the Department of Finance will plan to identify and incorporate any additional clarifying guidance, taking into account existing guidance related to meal reimbursements in the local and non-local travel Administrative Procedures. Finance anticipates performing this work as part of an FY 17 review and update of the purchase card manual.

#### ***Report: Purchase Card Policies and Procedures of the Montgomery County Public Schools***

*OIG Report 16-006 (February 25, 2016)*

#### **Background:**

Montgomery County Public Schools (MCPS) had 1,714 purchase cards as of July 28, 2014, and its payments for purchase card charges totaled \$7,100,016 in FY 2014, approximately half of which were attributable to purchase charges made by the MCPS Division of Maintenance.

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**Key Points in the OIG Report:**

MCPS had documented all of the 28 significant purchase card controls identified by the OIG. Our review identified one Finding, one Recommendation, and one Other Matter for Consideration.

We found that the audits conducted by the MCPS Internal Audit Unit cover only the cards associated with the Independent Activity Funds (IAFs), which are approximately 45% of the purchase cards. IAFs are associated with individual schools and are used to finance the recognized extracurricular activities of the students, other approved student activities, such as field trips, and approved curricular expenses, such as consumables for specific classes. The Division of Controller reviews transaction data for all cards each month related to sales tax paid, card limits exceeded, and required approvals, but only reviews supporting documentation for a small non-statistical sample of transactions.

We recommended that MCPS increase the scope of its Internal Audit Unit's annual work plan to include all (not only IAF) purchase cards.

We also identified a number of approvers who could potentially be overburdened, and we raised as a matter for consideration that MCPS would benefit from regularly reviewing the workload of approving staff and making any appropriate adjustments.

**Key Points in the MCPS Chief Operating Officer's Response:**

The Chief Operating Officer stated that MCPS will take our recommendations into consideration, as part of MCPS' commitment to ongoing and continuous improvement.

**Subsequent Development:**

Board of Education minutes indicated that as of July 1, 2016, supervision of the Internal Audit Unit would transfer from the Superintendent to the Board of Education. It is unclear how, if at all, this would affect consideration and/or possible implementation of our recommendations.

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### *Report: Purchase Card Policies and Procedures of the Montgomery County Revenue Authority*

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*OIG Report 16-002 (January 20, 2016)*

#### **Background:**

The Montgomery County Revenue Authority manages the County's nine public golf courses and the Montgomery County Airpark. The Revenue Authority did not have purchase cards; it had credit cards. Of these credit cards, 25 were cards that could be used at a wide range of merchants (general credit cards) while two types of cards were limited to use at specific brand-name stores (store cards). Our review did not include the store cards. The Revenue Authority had \$231,121 in charges on the 25 general credit cards billed centrally to the organization in FY 2014.

#### **Key Points in the OIG Report:**

We found that some of the Revenue Authority's credit card policies and procedures were not documented, and its Purchase and Payment Controls could be improved.

Revenue Authority management informed us that the credit card program did not provide some of the advantages of some purchase card programs, such as Level 3 detailed transaction data and blocking of Merchant Category Codes (MCCs). Using MCCs, blocks can be placed on purchases from certain types of stores, for example, bars and jewelry stores.

The Revenue Authority's documented policies and procedures for credit card use were limited to a one-page "Credit Card Use Policy." In response to a table of controls we sent, the Chief Executive Officer (CEO) created a memo addressed to the OIG asserting that the Revenue Authority had been employing a number of additional controls.

We issued two recommendations:

- (1) policies and procedures in the CEO's memo to the OIG should be formalized in a written document that is provided to cardholders, and
- (2) the Revenue Authority should document and implement certain Purchase and Payment Controls identified as missing in the table displaying these controls.

We also suggested that the Revenue Authority explore switching from the current credit card to a purchase card, in order to obtain the ability to block purchases from specified MCCs and to obtain Level 3 detailed transaction data.

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### **Key Points in the Revenue Authority Chief Financial Officer's Response:**

The Chief Financial Officer agreed with the recommendations and stated that the Montgomery County Revenue Authority had updated its cardholder agreement to include items in the CEO's memo. The Revenue Authority is investigating the adoption of a purchase card for its card purchases. It has also instituted the use of a gift card log to track its use of gift cards, which was one of the 28 significant controls we identified.

### ***Report: Purchase Card Policies and Procedures of the Washington Suburban Sanitary Commission***

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*OIG Report 16-003 (January 21, 2016)*

### **Background:**

The Washington Suburban Sanitary Commission (WSSC) was created under Maryland law and provides water and sewerage systems for Montgomery and Prince George's Counties, Maryland. In FY 2014, WSSC had 379 purchase cards. The OIG was advised that WSSC cardholders used purchase cards during FY 2014 for 11,053 transactions totaling \$6,670,676.

### **Key Points in the OIG Report:**

We issued no findings or recommendations. WSSC had either implemented or was in the process of implementing all 28 significant controls we identified as best practices.

We initially determined that WSSC had not documented six of the 28 significant controls we identified. While working on our audit, we provided WSSC the controls we identified and advised WSSC that certain controls were missing at WSSC. In response, WSSC advised us that WSSC would begin to document and/or implement four of the six missing controls (regarding who could receive cards, card expiration, central review for appropriateness of purchases, and regular audits).

Our audit provided two conclusions to WSSC regarding the two other missing controls (annual review of who should receive cards and the use of detailed transaction data). WSSC responded that WSSC staff was newly documenting and implementing an annual review of who should receive cards, and it was expanding the use of detailed transaction data.

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#### **Key Points in the WSSC General Manager/ CEO's Response:**

The General Manager/CEO indicated that all WSSC executives are required to annually review and certify the list of cardholders within their respective Teams/Offices that should have purchase cards. WSSC newly implemented a centralized review for appropriateness of purchases with the creation of a P-Card Specialist position. Additionally, WSSC management is committed to documenting all of its significant controls and ensuring their implementation. Lastly, the WSSC Internal Audit Office will incorporate all aspects of Level 3 detailed transaction data into its data analyses.



**Edward L. Blansitt III**  
Inspector General

51 Monroe Street, Suite 802  
Rockville, Maryland 20850  
240-777-8240

ig@montgomerycountymd.gov  
OIG Fraud Hotline: 240-777-7644  
[www.montgomerycountymd.gov/oig](http://www.montgomerycountymd.gov/oig)

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