



OFFICE OF THE INSPECTOR GENERAL

PRELIMINARY INQUIRY MEMORANDUM

January 12, 2015

TO: Timothy L. Firestine
Chief Administrative Officer

FROM: Edward L. Blansitt III 
Inspector General

SUBJECT: Department of Liquor Control, Compliance Money
OIG PIM #15-004

This Preliminary Inquiry Memorandum (PIM) describes specific issues or complaints and the outcomes of limited procedures undertaken during a Preliminary Inquiry conducted by the Office of the Inspector General (OIG). Copies of this PIM along with your response, if any, will be provided to the members of the County Council and the County Executive within 10 business days of the date of this PIM.

Background and Complaint Summary:

The Division of Licensure, Regulation, and Education (LRE) within the Montgomery County Department of Liquor Control (DLC) is responsible for the enforcement of regulations and laws related to alcohol sales within the County. DLC partners with County law enforcement agencies¹ to maintain the Alcohol and Tobacco Compliance Check Program (Compliance Program). The program utilizes underage volunteers and surveillance to determine whether local establishments obey liquor laws requiring keg registration and prohibiting service to minors and visibly intoxicated patrons. In addition to alcohol compliance checks, DLC conducts tobacco compliance checks to reduce tobacco sales to underage youth (under the age of 18) and ensure product placement laws are followed.

Annually, DLC conducts approximately 600 compliance checks and budgets \$6,100 to be used to fund the program. During the course of a larger review of DLC, the OIG received

¹ DLC works with the Montgomery County Police Department, the Montgomery County Sheriff's Office, and the Montgomery County State's Attorney's Office. A member of the Montgomery County Police Department participates on every Compliance Check.

a complaint alleging that each fiscal year, the LRE Division Chief deposits funds issued for the Compliance Program (Compliance Money) into her personal, non-County bank account.

Inquiry and Outcome:

We reviewed records supporting Compliance Money transactions during FY2013 and FY2014. In each of those years the LRE Division Chief was issued a personal advance of \$6,100, during the first quarter of the fiscal year. For example, a July 24, 2013 memorandum from the Montgomery County Office of Finance, Accounts Payable Division (Accounts Payable) states:

Check...in the amount of \$6,100.00 has been issued to you personally as an advance. It was processed on invoice #071113. This is a cash advance of funds to you, for which you are accountable. No county appropriation has been charged...

In order to discharge this obligation you must account for the total advance as follows:

Submit a memorandum to Accounts Payable...accompanied by vendor receipts, stating the appropriation codes against which the expenditures are to be charged. Authorized signatures for these codes should be on this memorandum...

FAILURE TO COMPLY WITH THE PROVISIONS OF THIS ADVANCE MAY RESULT IN DEDUCTION OF THE ENTIRE AMOUNT OF THE ADVANCE FROM YOUR PAYCHECK.

The LRE Division Chief reported that because she was personally responsible for the funds, she deposited the checks in her personal account for safekeeping. She reported providing withdrawal receipts and cash withdrawn to an LRE Administrative Specialist tasked with maintaining the program funds.

DLC did not provide any written policy regarding the use of compliance funds. Two LRE managers reported that Compliance Funds are considered a miscellaneous fund which is first prioritized for costs directly associated with Compliance checks such as the purchase of alcohol or tobacco by an underage volunteer. Funds remaining at year end are used for miscellaneous expenses related to the LRE mission such as Inspector uniforms, training, and supplies.

Our office reviewed DLC documents supporting FY2013 and FY2014 Compliance Money transactions. We did not identify any specific expenditures that did not appear to benefit the LRE mission. We determined that DLC has established a system with multiple controls and a separation of duties regarding the use of Compliance Money. Monies are issued to one LRE staff member, reconciled by another, and approved by a third. On a quarterly basis, expenditures and supporting documentation is reviewed by Accounts Payable who

reconciles the expenditures and requests any missing documentation. Accounts Payable ensures that any funds remaining at the end of the fiscal year are returned to the County. Based on the documentation provided by DLC, it appears that the County has the right to deduct missing or improperly documented funds from the paycheck of the employee receiving the cash advance.

Summary and Conclusion:

We found that Compliance Money expenditures were approved by an LRE Manager, adequately supported, properly reconciled, and reviewed by the Montgomery County Office of Finance.

There are risks associated with permitting a County employee to maintain any cash advance in his/her personal bank account for an extended period of time. For example, the funds may be difficult to collect in the event of termination of employment, personal bankruptcy, or death of the employee. However, the risk is small since the balance is generally under \$6,000 and the use of the Compliance Money is well-controlled. While the County may wish to alter this arrangement (e.g., the use of a cash card may be possible), we take no issue with it.

cc: George Griffin, Director, Department of Liquor Control

A Preliminary Inquiry Memorandum (PIM) is appropriate in situations where we have, in reaction to a complaint, gathered and assessed sufficient information for us to draw limited conclusions related to the specific complaint. Since PIMs do not result from full inspections, investigations, or audits, it would not be appropriate for us to provide full findings and recommendations in PIMs. Instead, we may identify specific conditions, transactions, and events that management may want to continue to research from an investigative or policy standpoint.

Response to this Preliminary Inquiry Memorandum:

From Montgomery County Chief Administrative Officer:

On January 14, 2015, the office of the *Chief Administrative Officer* responded via email:

“Thank you. We have no comments. However, DLC will conduct further research and consult with similar operations to determine if there is a better way of handling the compliance money transactions.”