



OFFICE OF THE INSPECTOR GENERAL

Montgomery County, Maryland



MEMORANDUM OF INVESTIGATION

TO: Richard S. Madaleno
Chief Administrative Officer

FROM: Megan Davey Limarzi, Esq.
Inspector General *ML*

DATE: March 22, 2021

SUBJECT: DHHS IT Purchase Card Allegations - OIG Publication #21-010

In December 2020, the Office of the Inspector General (OIG) initiated an investigation pursuant to a complaint alleging that an Information Technology (IT) Specialist at the Montgomery County Department of Health and Human Services (DHHS), was not following County procurement policy when utilizing a County issued purchase card (P-Card) to purchase IT-related equipment and services. The complaint also alleged that the subject did not go through the County's Office of Device Client Management (DCM) as required when purchasing a large quantity of computers, and that the subject maintained loose inventory controls over IT equipment which could result in the loss and theft of County property.

Inquiry and Outcome

In examining a sample of the more than \$260,000 worth of purchases the subject made with their assigned P-Card from June 26, 2018 through December 2020, we found no indication that the subject employee used their assigned P-Card for personal gain or to advance their own interests. Further, seemingly conflicting language in the DCM Policy Manual did not allow us to determine if the subject violated policy when purchasing computers independent of DCM. Section 3.0 of the DCM manual mandates that all "hardware devices must be acquired through DCM." Section 3.5, however, states that "DCM recognizes that Departments reserve the right to acquire hardware, to add to or to replace, equipment within their inventory outside of the DCM replacement service at their own expense."

We did, however, find that the subject used their assigned P-Card to make recurring purchases of Adobe licensing subscriptions that totaled more than \$11,000. Montgomery County Code section 4.1.9 prohibits direct purchases with aggregate charges in excess of \$10,000.¹ Failure to adhere to established purchasing thresholds could lead to budget deficiencies and stifle competition.

We also discovered that DHHS IT staff routinely did not ensure that funds were available prior to making purchases with P-Cards, contrary to the County's P-Card Program Policy and

¹ COMCOR 4.1.9 Direct Purchases: A Direct Purchase is an informal procurement of construction, goods, or services with a total value of no more than \$10,000. Purchases which in the aggregate would exceed the limit on this type of procurement may not be subdivided or split to procure within the direct purchase limitations.

Procedure Manual (P-Card manual). Not following this requirement could lead to budget deficiencies, mismanagement of funds, and wasteful spending.

Additionally, we noted lax oversight and approval practices by the former DHHS IT manager responsible for reviewing and approving P-Card transactions. The former manager admitted that they purposely did not review any of the subject's P-Card purchases under \$1,000 because they trusted the subject's discretion. The P-Card policy requires that transaction approvers examine and authorize transactions to ensure they are legitimate County expenses. Improper oversight could lead to fraudulent purchases and purchases that are not compliant with P-Card policy.

Finally, during our investigation we also discovered that DHHS IT had no formal process to ensure they received the products ordered. Similarly, they did not have a process to document receipt by an end-user, or an inventory system capable of tracking valuable items. Implementing processes to address these issues will help protect against waste and loss.

Our observations related to policy infractions are consistent with those identified by the Office of Internal Audit in a report published in November 2020. The report recommended several improvements to the County's P-Card program, to include enhancements to the P-Card manual and increased oversight. The report noted that the County has been in the process of updating its P-Card manual since September of 2019, and we confirmed that as of March 2021 the revised policy is still in draft. Completion of the manual may aid Departments to further ensure their own policies and procedures are robust and prevent potential for fraud, waste, or abuse.

Recommendations

We recommend that DHHS establish formal procedures for the use of P-Cards by IT staff that are consistent with the requirements of the County's P-Card policy. The procedures should address the vulnerabilities identified in our investigation. We also recommend DHHS implement an inventory management program that captures relevant IT equipment.

cc: Fariba Kassiri, Deputy Chief Administrative Officer
Dr. Raymond Crowel, Director, Department of Health and Human Services

The OIG provided the County's Chief Administrative Officer with a confidential version of this report containing employee information that we believe is protected, and therefore not publicly releasable. The OIG has removed this information from this version of the report.



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

Richard S. Madaleno
Chief Administrative Officer

MEMORANDUM

March 19, 2021

TO: Megan Davey Limarzi, Inspector General
FROM: Richard S. Madaleno, Chief Administrative Officer *RSM*
SUBJECT: Confidential Memorandum of Investigation: DHHS IT Purchase Card Allegations

Thank you for the opportunity to respond to your March 15, 2021, confidential memorandum of investigation and recommendations concerning strengthening the internal controls and processes resulting from your inquiry into information technology (IT) purchases by the Department of Health and Human Services (DHHS) using a County purchasing card (P-Card). Our responses to your recommendations are as follows:

Recommendation #1: DHHS should establish formal procedures for the use of P-Cards by IT staff that are consistent with the requirements of the County's P-Card policy. The procedures should address the vulnerability identified in our investigation.

CAO Response: We concur with this recommendation and have directed DHHS to develop and disseminate such procedures to all DHHS IT staff with P-Card responsibilities as soon as possible.

Recommendation #2: DHHS should implement an inventory management program that captures relevant IT equipment.

CAO Response: We concur with this recommendation and have directed DHHS to develop and implement a standard process for tracking IT acquisitions, from purchase using the P-Card through receipt and acceptance by the DHHS staff who purchased the IT. As you are aware, the County's Office of Internal Audit recently initiated an internal control review of the County's IT asset management program, focusing both on County-wide policies and procedures implemented and required by the Department of Technology Services, as well as at individual departments. I have directed the Internal Audit Manager to ensure that the inventory management issues raised in your March 15 memorandum, as well as the lessons learned that were reflected in your

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February 8, 2021, report on *Lessons Learned from County COVID Loaner Laptop Purchases*, are included in the scope of their current review. We look forward to sharing the results of that review with you and your staff.

We appreciate your bringing these matters to our attention and will provide your office updates on the status of implementing the corrective actions, including updated policies and procedures addressing the two recommendations above. However, I ask that in the future, we are provided at least three weeks, not three days, to respond to these types of non-time sensitive audits.

c: Fariba Kassiri, Deputy Chief Administrative Officer
Raymond Crowel, Director, Department of Health and Human Services
Gail Roper, Director, Department of Technology Services
Bill Broglie, Internal Audit Manager, Office of the County Executive