



OFFICE OF THE INSPECTOR GENERAL  
MONTGOMERY COUNTY MARYLAND

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INSPECTOR GENERAL

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Performance Audit of Financial Management Processes

Montgomery County Department of Police

**OIG Publication # OIG-24-09**

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MARCH 28, 2024

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## EXECUTIVE SUMMARY

This audit of the Montgomery County Department of Police (MCPD) was initiated pursuant to our mandate to conduct reviews of the internal accounting processes and controls used by each department and principal office in the Executive Branch. MCPD's approved operating budget for fiscal year (FY) 2023 was \$296,501,578. Our audit largely focused on activities performed by the Management Services Bureau as this bureau is responsible for budget administration and financial management for MCPD. We evaluated MCPD's controls over the processing of expenses (including Purchasing Card or P-Card usage) as well as its oversight of revenue generated from automated traffic enforcement camera citations.

### OBJECTIVES

Through this audit, we attempted to (1) evaluate MCPD's oversight of red-light and speed camera citation revenue received from the contractor; (2) evaluate MCPD's design and implementation of controls over the processing and approval of expense payments to ensure compliance with county and departmental procedures; (3) determine whether P-Card transactions were supported by proper documentation and purchased for use by the county; and (4) assess P-Card transactions to identify the presence of fraudulent, improper or abusive purchases.

### SCOPE & STANDARDS

Our audit covered red-light and speed camera citations from July 1, 2020, to June 30, 2023, expense payments from July 1, 2022, to June 30, 2023, and P-card transactions from July 1, 2022, to May 1, 2023. Our audit was conducted in accordance with the generally accepted government auditing standards (GAGAS).

### RESULTS

- MCPD did not always confirm the accuracy of collected citation revenue or contractor provided credits prior to approving and paying related invoices and does not have written procedures documenting processes used for the reconciliation of citation revenue received.
- MCPD does not provide oversight of the traffic enforcement contractor's handling of unpaid citations or their attempts to collect unpaid revenue.
- MCPD did not always adhere to county policies and regulations when procuring goods and services.
- MCPD's internal written procedures for the acquisition of goods and services are outdated.
- Non-Local travel was not documented and approved in eTravel as required by the county's Non-Local Travel policy..
- Sampled P-Card transactions did not always have support uploaded to PaymentNet as required by county policy.

### RECOMMENDATIONS

We made ten recommendations aimed at improving MCPD's oversight of various financial transactions and processes to ensure operational effectiveness and adherence to county policies and regulations.

We recommend that MCPD develop, and institute written procedures governing citation revenue reconciliations, proper approval of invoices prior to payment and requirements for the use of purchase requests. Additionally, we recommend MCPD ensure citation revenue reconciliations are completed at least monthly and provide adequate oversight of the contractor's attempts to collect on unpaid citations. Further, we recommend MCPD ensure compliance with all county P-Card policies.

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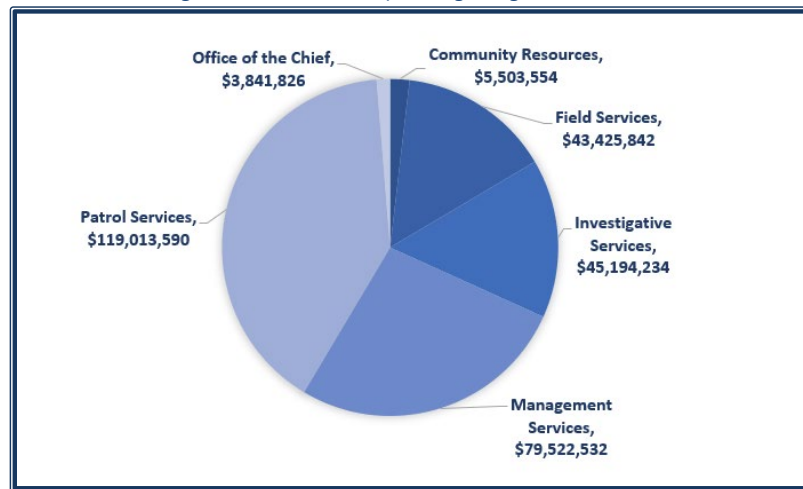
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## BACKGROUND

The Montgomery County Police Department's (MCPD) mission is "to safeguard life and property, preserve the peace, prevent, and detect crime, enforce the law, and protect the rights of all citizens."<sup>1</sup> The Chief of Police is charged with leading the department and its five major bureaus: Community Resources, Field Services, Investigative Services, Patrol Services, and Management Services.

MCPD's operating budget for fiscal year (FY) 2023 was \$296,501,578. Figure 1 depicts the operating budget allocation by bureau.

Figure 1: FY23 MCPD Operating Budget<sup>2</sup>



In FY2023, MCPD's three largest budgeted operating expenses totaled approximately \$29 million. Motor pool vehicles accounted for approximately \$18.1 million, services related to red-light and speed camera programs accounted for approximately \$9 million, and approximately \$1.9 million was spent on software licenses and maintenance.

MCPD uses purchasing cards (P-Cards) to purchase various office and safety supplies, ammunition, training courses, and gasoline as well as expenses related to local and non-local travel, among other purchases. From July 1, 2022, to May 1, 2023, MCPD expended \$1,575,235 using 137 P-Cards.

In FY2023, MCPD collected approximately \$61.9 million in general fund revenue, 17% of which came from the operation of the county's automated speed enforcement program that, as of March 2022, had 51 red-light cameras and 78 speed cameras deployed in over 150 potential locations. The stated goals of the automated speed enforcement program are to decrease speeding violations and crashes, prevent injuries, and save lives. The county's website states that "The Montgomery County Police developed this program to increase the effectiveness of speed enforcement in areas with recurring speeding problems. Safe Speed will provide consistent speed enforcement that will allow police officers to devote their time to other law

<sup>1</sup> Montgomery County MD Operating Budget, Police (<https://apps.montgomerycountymd.gov/BASISOPERATING>)

<sup>2</sup> Ibid.

enforcement duties.”<sup>3</sup> Montgomery County assesses a \$75 fee for red-light camera violations and a \$40 fee for speed camera violations. <sup>4</sup> Through this program, the county issued a total of 272,056 citations totaling \$12,268,909 in FY2023.

On March 29, 2022, the county entered into a \$100 million contract for the management of the county’s automated traffic enforcement program. This includes the installation of new digital camera systems capable of capturing and validating red-light and speed violations. The contractor is responsible for the collection of all fines, waiving penalties at the county’s direction, tracking payments from violators, and providing ad hoc reports to MCPD. Under the contract terms, the contractor is entitled to \$26.50 per paid red-light camera citation and \$5,995 for each speed camera per calendar month. Additionally, the contractor is to provide MCPD access to payment and citation data as well as the functionality to query and download reports from the contractor’s system, CiteWeb5 (CW5).

On January 27, 2023, the county executed an amendment to the contract to revise dates for the delivery and installation of portable speed cameras; revise the schedule for implementation of technology migration; and add invoice credits and liquidated damages associated with the revised schedules. According to the contract administrator, these revisions were necessary as the contractor was not meeting the terms of the original contract.

## OIG Audit Approach

Our audit covered various MCPD activities, specifically financial activities performed by the Management and Budget (M&B) Division, during a cumulative period from July 1, 2020, through June 30, 2023, including automated traffic enforcement; expense payments; revenue received; and P-Card usage. In conducting the audit, we obtained necessary supporting documents and conducted interviews with MCPD personnel, the automated traffic enforcement program contractor, and members of the county’s finance department.

Through our audit, we sought to determine the extent of MCPD’s oversight of red-light and speed camera citation revenue received, and efforts to collect unpaid citations. We also attempted to evaluate MCPD’s design and implementation of controls over the processing and approval of expense payments to ensure compliance with county and departmental procedures. We further sought to determine whether P-Card transactions were supported by proper documentation and that purchases were for official use. Finally, we assessed P-Card transactions to identify the presence of fraudulent, improper, or abusive purchases.

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<sup>3</sup> Goal of Automated Speed Enforcement, Police Department (<https://www3.montgomerycountymd.gov/311/Solutions.aspx?SolutionId=1-102QP>)

<sup>4</sup> To incur a violation, “a vehicle passing one of the camera locations above the determined threshold speed will be the subject of a series of photographs taken to document the violation. The photographs will then be processed, and the license plate will be reviewed to identify the registered owner. The owner will be sent the citation, which will include copies of the violation photos and the marked vehicle speed.”

## BACKGROUND

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We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Appendix A contains additional information on this audit's objectives, scope, and methodology.

## FINDINGS AND RECOMMENDATIONS

In keeping with the OIG's mandate to conduct reviews of internal accounting and contracting processes and controls used by each department and principal office in the Executive Branch, we conducted this audit to assess MCPD's processes and controls over revenue, accounts payable and P-Card usage. We concentrated our testing on areas we determined required more intensive analysis, such as the reconciliation of citation revenue accounts, and the processing and approval of operating and P-Card expenses.

### Citation Revenue

MCPD received approximately \$10.6 million in red-light and speed camera citation revenue in FY2023. Individuals may pay automated traffic citations through the contractor's website, by mail, or in person at a designated facility. The funds are deposited into a county bank account where an MCPD employee compares deposits with statements from the contractor depicting what citations were paid.

**Finding 1: MCPD did not always confirm the accuracy of collected citation revenue or contractor provided credits prior to approving and paying related invoices and does not have written procedures documenting processes used for the reconciliation of citation revenue received.**

During our scope period, the county paid invoices totaling \$6.27 million for automated traffic enforcement services. This sum includes credit card processing fee reimbursements, \$5,995 for each speed camera in operation every month, and \$26.50 per red-light citation payment received. The invoices also included credits assessed because of the contractor's failure to meet data migration and software functionality requirements imposed in the original contract.

Through our testing, we noted that MCPD paid approximately \$458,000 worth of red-light camera invoices over a four-month period without first ensuring that the county had received all of the associated revenue. Through further inquiry, MCPD reported they were unable to obtain necessary reports from the contractor to complete a proper review of citation revenue, but nonetheless paid the invoices. The county's Accounts Payable Policies require that employees ensure they receive all goods and services prior to processing invoices for payment.

Additionally, we observed that on invoices from January to June of 2023, MCPD was credited a total of \$646,119 from the contractor. These credits were applied for not fully complying with the contract terms. When we requested an itemized accounting of the credits from MCPD, we learned that they did not have one and had not undertaken efforts to ensure that the contractor provided MCPD with all eligible credits but rather simply accepted them as presented.

In addition to incomplete information that would better inform reconciliations of invoices, we learned that only one M&B division employee is responsible for working with the contractor to

## FINDINGS AND RECOMMENDATIONS

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reconcile citation revenue received and associated invoices. This process should ensure that invoices from the contractor accurately reflect how much the county owes. The employee charged with performing this function detailed a cumbersome multistep process that takes approximately 30 hours a week to complete and would be difficult for someone to replicate if the employee was not available. See Appendix C. In fact, it appears that when this employee is on leave, the process is simply not done because there is no one else familiar with the process. MCPD does not have written policies and procedures documenting this process, a requirement of the county's Accounts Receivable Policies.<sup>5</sup> Lastly, issues with the contractor's violation management software have further hindered the employee's access to necessary records to conduct proper reconciliations of payments and invoices.

If MCPD is unable to confirm the accuracy of revenue received and, in turn, the accuracy of subsequent contractor invoices, it could result in the county losing revenue, overpaying for services, or potential contractor fraud that would go unnoticed. Additionally, not having written procedures for the citation revenue reconciliation process could lead to a lapse in operational effectiveness and inefficiencies.

### Recommendation 1

#### We recommend MCPD

- a) **Ensure reconciliations are performed and completed at least monthly, to include reconciling associated credits, to ensure invoices are accurate.**
- b) **Develop and implement written procedures for the reconciliation of citation revenue.**

**Finding 2: MCPD does not provide oversight of the traffic enforcement contractor's handling of unpaid citations or their attempts to collect unpaid revenue.**

During our review of the citation revenue reconciliation process, we learned that MCPD does not monitor the contractor's efforts to pursue unpaid citations. Our analysis showed that from FY2021 to FY2023 there were a total of 113,375 unpaid citations, totaling approximately \$5.1 million. MCPD's records go back even further and show that from FY2007 to FY2022 there were 491,296 unpaid citations, totaling \$22.9 million, meaning the county has been consistently missing the opportunity to collect additional revenue.

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<sup>5</sup> The county's Accounts Receivable Policies manual requires that departments "[d]evelop, document, and maintain written local department current procedures and controls for receiving and depositing funds, invoicing Customers, and performing daily and month-end reconciliations."



The traffic enforcement contract requires that the contractor make four attempts to collect citation fines. A “Business Rules/Guidelines” document details the sequence of notices as follows:

1. First notice is sent within 14 days of the violation;
2. Second notice is sent 30 days after non-payment following the first notice;
3. Third notice is sent 30 days after non-payment following the second notice, and tags are flagged;
4. Fourth and final notice is sent 30 days after non-payment following the third notice.

We attempted to evaluate whether all required notices were sent by the contractor by testing a random sample of 36 unpaid citations issued from FY2021 to FY2023. In 61% (22 of 36) of our sample, we were unable to determine whether they were sent at the requisite interval, because at least one of the four required notices were unavailable in CW5. We also observed instances where notices were returned because of an improper address, but the contractor continued to send subsequent notices to the same invalid address. We further noted examples where documents were not properly scanned into the system, and notices were not sent at the proper interval.

Since MCPD does not provide oversight of the contractor’s efforts to collect unpaid citations, the county may be missing an opportunity to collect additional revenue. Furthermore, failing to enforce citation payment lessens the deterrent factor intrinsic to citation issuance and thereby may minimize the county’s ability to reduce speeding and increase public safety. The contract administrator told us that they are interested in implementing measures to maximize the collection of unpaid fines but have not yet taken measurable steps to do so.

## **Recommendation 2**

**We recommend MCPD implement procedures to provide timely oversight of the contractor’s attempts to collect unpaid citations.**

### Operating Expenses

**Finding 3: MCPD did not always adhere to county policies and regulations when procuring goods and services.**

To evaluate the processing of expense transactions, we selected a random sample of 36 transactions and an additional 13 transactions based on judgmental factors. We noted that two invoices in our random sample were paid despite the vendors not being registered with the county’s Central Vendor Registration System (CVRS), a requirement of the county’s Accounts Payable Policies. The policy states that, “[c]ounty employees must acquire goods and services only from approved suppliers who have registered through the Central Vendor Registration

## FINDINGS AND RECOMMENDATIONS

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System (CVRS) and have been validated by the AP Section.”<sup>6</sup> When we inquired through the county’s accounts payable manager about this observation, we were told vendors that were doing business with the county prior to the implementation of CVRS were not required to register with the system. County policy however does not reflect this interpretation.

Further we noted that, of the 13 judgmentally selected transactions, 10 were all related to the same vendor and totaled more than \$14,000. The county’s procurement regulations require that any cumulative payments to a single vendor exceeding \$10,000 go through the procurement process to award a contract. No contract was awarded for the purchases in question. MCPD reported that they did not realize they exceeded the limit until the vendor presented invoices for payment. They have worked with the County Attorney’s Office to address the error and acknowledged they are not able to continue to purchase from the vendor unless they go through the contracting process.

We also observed that invoices for 10 of the 13 judgmentally selected transactions did not contain a billing period or date of service. The county’s Accounts Payable (AP) Invoice Guidelines require that invoices contain this information.<sup>7</sup> We learned that invoice approvers within MCPD do not follow a consistent process to approve invoices. For instance, one approver uses an internally created invoice review checklist to check for invoice requirements, while others do not. Inconsistency in MCPD’s invoice approval process could result in the improper payment of invoices.

Not adhering to county policy in the obligation and processing of expenses could result in fraudulent payments to unapproved vendors, unjust payments, and inequitable contracting practices.

### Recommendation 3

- a) **We recommend the county update the Accounts Payable Policies to include instructions on the treatment of vendors doing business with the county prior to the implementation of CVRS.**
- b) **We recommend MCPD establish and implement procedures to standardize the approval process for invoices.**
- c) **We recommend MCPD establish and implement procedures to monitor vendor expenses to ensure cumulative payments do not exceed purchasing thresholds.**

**Finding 4: MCPD’s internal written procedures for the acquisition of goods and services are outdated.**

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<sup>6</sup> Accounts Payable Policies, Financial Governing Principles and Standards, Effective: August 2, 2017, p.2

<sup>7</sup> Accounts Payable Invoice Guidelines, Effective: December 29, 2021, p.1

MCPD's Procedures for Acquiring Goods and Services (Function Code 272) establishes "purchasing procedures which will facilitate the procurement of goods and services in compliance with County Procurement Regulations and Administrative Procedures." We observed that this document was last updated in 2002, includes references to requirements that are no longer applicable, and does not include requirements that are in the county's Accounts Payable policy that was issued subsequent to the drafting of MCPD's policy. For example, Function Code 272 establishes a \$5,000 threshold for which purchases can be made without following a formal procurement process, whereas the county's threshold is \$10,000.

Additionally, Function Code 272 details a manual process to request and obtain approvals from supervisors to purchase goods or services. That process includes the use of physical forms and requires obtaining manual approvals. However, in 2017 MCPD implemented an internal automated system that replaced the manual purchase request process. MCPD told us on several occasions that every purchase must be processed through this system, without exception. Function Code 272 has not been updated to reflect the change in process which has resulted in inconsistencies in the request and approval process for acquiring goods and services.

During this audit, we tested 49 purchases made during our scope period and found that 49% (24 of 49) of our sampled purchases did not have corresponding purchase requests in the system but were approved by other means. Upon inquiry, we learned that although we were previously told all purchase requests were processed through the automated system, in practice there were interpretations that requests were not required for all types of purchases, particularly training expenses and recurring purchases. MCPD does not have any updated procedures which support this interpretation.

Not having updated procedures to reflect processes for the current system could lead to inefficiencies, errors in processing expenses, improper payments, and general confusion in how to request the purchase and approval of goods and services.

#### **Recommendation 4**

**We recommend MCPD update Function Code 272 to include references to current county policies and reflect current processes for requesting and approving the purchase of goods and services, including the types of transactions that require a purchase request.**

#### P-card Expenses

**Finding 5: Non-Local travel was not documented and approved in eTravel as required by the county's Non-Local Travel policy.**

## FINDINGS AND RECOMMENDATIONS

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The county's Non-Local Travel policy<sup>8</sup> states that "All County employees undertaking business related non-local travel (more than 75 miles from the Executive Office Building) must receive approval prior to traveling and document the trip in eTravel".<sup>9</sup> It further requires that "Trips must be documented using the eTravel application." During our testing of P-Card transactions we found that 12 of the 36 (33%) transactions we sampled were related to non-local travel that was not approved in eTravel as required. Eight of the noted transactions were categorized by MCPD as "investigative travel." MCPD expressed concerns that recording "investigative travel" in eTravel may expose confidential informant locations or other restricted case information. However, county policy does not allow for exceptions to eTravel requirements for investigative travel.

The remaining non-local travel transactions were documented as being associated with job fairs, conference related, and "other". We found no policies exempting these categories of travel from complying with eTravel requirements.

MCPD should raise concerns about entering sensitive information into eTravel with county leadership, and the resulting decision should be captured in policy.

Failure to enter travel details in eTravel increases the risk that staff could incur unallowable or fraudulent expenses, and reporting errors.

### Recommendation 5

#### We recommend MCPD

- a) Ensure all non-local travel is recorded in eTravel prior to employees initiating travel.
- b) Address concerns about entering sensitive travel information in eTravel with county leadership.

**Finding 6: Sampled P-Card transactions did not always have support uploaded to the county's P-Card system as required by county policy.**

We tested 36 randomly selected P-Card transactions and 5 additional P-Card transactions for single purchases exceeding \$10,000. We noted five transactions did not have required information included in the support uploaded to the county's P-Card system (PaymentNet) as mandated by policy. The county's P-Card Manual states that "each transaction on the Purchasing Card must be supported by an itemized receipt or other acceptable means of documentation that verifies the date of purchase, the vendor or merchant name, each item purchased and the price of each item."<sup>10</sup> The suspect transactions we found did not include the description of each item, the cost of each item, and the quantity purchased. We determined

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<sup>8</sup> Administrative Policies and Processes, Non-Local Travel

<sup>9</sup> eTravel is the county's online travel tracking system where employees enter non-local travel authorizations.

<sup>10</sup> Montgomery County Maryland Purchasing Card Program Policy and Procedure Manual, Revised March 31, 2017, p.9

that these errors were due to the Transaction Approver's<sup>11</sup> failure to adequately review transactions and follow up with the cardholder as required by the county's P-Card Manual.

If receipts or other required supporting documentation do not include all necessary information, the county is unable to verify that expenses incurred were valid and appropriate, potentially resulting in misappropriation of county funds.

### **Recommendation 6**

**We recommend MCPD ensure that P-Card transactions are supported with itemized receipts that include all required information.**

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<sup>11</sup> Per the Montgomery County Maryland Purchasing Card Program Policy and Procedure Manual, the definition of a Transaction Approver is "an employee in each department designated in writing by the Department Head to be responsible for approving transactions of individual Cardholders to make sure the transactions represent legitimate business expenses and are classified appropriately."

## OIG COMMENTS TO THE CAO'S RESPONSE

The County Chief Administrative Officer's response to our report is included in its entirety in Appendix B. The response indicates concurrence with all of the OIG's recommendations. Appendix D summarizes the CAO's responses to individual recommendations and the OIG's determination of the county's progress towards fully implementing the stated actions.

# APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

## Objectives

The objectives of this performance audit were to:

- 1) Evaluate MCPD's oversight of red-light and speed camera citation revenue received from the contractor, specifically recalculation/reconciliation procedures.
- 2) Evaluate MCPD's design and implementation of controls over the processing and approval of expense payments to ensure compliance with county and departmental procedures (i.e., ensuring payments, dates, and vendor information agree to invoices, reviewing legitimacy of vendors, and obtaining expense support/approvals).
- 3) Determine whether P-Card transactions were supported by proper documentation and purchases were for use by the county.
- 4) Assess P-Card transactions to identify the presence of fraudulent, improper, or abusive P-Card purchases.

## Scope and Methodology

The scope of our audit covered various subject areas and time periods as outlined below:

- Red-light and speed camera citations paid during the period of July 1, 2022, to June 30, 2023.
- Unpaid red-light and speed camera citations during the period of July 1, 2020, to June 30, 2023.
- All MCPD expense transactions entered in Oracle/the general ledger, including supporting documentation for transactions selected for testing (invoices, vendor information, approvals, etc.) during the period of July 1, 2022, to June 30, 2023.
- All MCPD cardholders' P-Card transactions within the JP Morgan Chase Bank PaymentNet Reconciliation system (PaymentNet) incurred during the period of July 1, 2022, to May 1, 2023.

From May 2023 to November 2023, we conducted fieldwork to achieve our objectives. We conducted walkthroughs to assess controls over expense transactions, reconciliations of red-light and speed camera citation revenue, and P-Card usage. We interviewed and inquired with personnel from MCPD's Management & Budget Division and the Automated Traffic Enforcement Unit; County Finance; the Office of Procurement; and the automated traffic enforcement program contractor. We also reviewed county and departmental policies and procedures and sampled transactions to test against criteria.

We obtained and reviewed the following criteria for our performance audit:

- 1) MCPD's Management and Budget Division's standard operating procedures, function codes (FC), policies and other related documentation associated with

- accounts payable (expenses), accounts receivable (revenue), and P-Card management.
- 2) Applicable automated traffic enforcement contract and related amendments entered into by the county, effective: March 29, 2022, and January 27, 2023, respectively.
  - 3) Accounts Receivable Policies – Financial Governing Principles and Standards, effective: April 1, 2020.
  - 4) Accounts Payable Policies – Financial Governing Principles and Standards, effective: October 1, 2022.
  - 5) Accounts Payable Invoice Guidelines, effective: December 29, 2021.
  - 6) Montgomery County Maryland Purchasing Card Program Policy and Procedure Manual (P-Card Manual), effective: March 2017.
  - 7) Administrative Procedure 1-2, Non-Local Travel Guidelines and Related Reimbursements, effective: October 21, 2011; and Non-Local Travel Summary Document, effective: July 2022.

### Objective 1 – Reconciliation of Citation Revenue

To assess MCPD's oversight of red-light and speed camera citation revenue reconciliation procedures, we obtained the relevant automated traffic enforcement program contract and conducted walkthroughs and interviews with MCPD personnel, the automated traffic enforcement program contractor, and County Finance to gain an understanding of existing reconciliation procedures. We conducted testing of the citation revenue reconciliations performed for 4 out of the 12 months during the fiscal year. We evaluated the reconciliations against contractor requirements, county accounts receivable policies, and requirements noted during walkthroughs. As a result of this testing, we observed that MCPD does not provide oversight of the contractor's handling of unpaid citations or their attempts to collect payments.

We further tested MCPD's oversight of the contractor's handling of unpaid citations through a random sample of unpaid citations from FY2021 to FY2023 (see Table 3). In CW5, we reviewed notices sent by the contractor in an attempt to collect payments. Although we received access to CW5, the limited reporting capabilities of the system did not allow us to independently obtain sample populations and view complete citation data to test citation revenue. We also observed limited information was available in Oracle; therefore, we obtained our sample populations directly from the contractor. Due to this, we were unable to verify the completeness of our sample population.

### Objective 2 – Processing and Approval of Expense Payments

To evaluate MCPD's design and implementation of controls over expense payments, we selected a random sample of expense transactions from a population of all MCPD operating



expenses recorded in the GL during FY2023. We utilized data analysis software to determine the sample size and random sample selection (see Table 3).

Additionally, we also selected a judgmental sample of transactions. We interviewed and made inquiries with relevant county personnel to learn about existing processes and obtained supporting documentation (i.e., invoices and itemized receipts) from Oracle and MCPD personnel to test for compliance against county and departmental policies and procedures.

Objective 3 – P-Card Usage

We sought to determine whether P-Card transactions were supported by proper documentation and purchased for use by the county by first interviewing MCPD and County Finance personnel to gain an understanding of current processes. We created a sampling plan for testing and utilized data analysis software to generate a sample size (see Table 3) from a population of all MCPD P-Card transactions within PaymentNet. The data analysis software then generated a random sample for which we tested against county policies. Additionally, we assessed the sample population to determine whether duplicate payments were made for purchases and whether single item purchases complied with the \$10,000 purchase threshold per county AP policies; we identified and tested all transactions that were over \$10,000. We also identified vendors who had total transactions of \$10,000 or more during our scope period and reviewed their transactions to determine if any were split transactions.<sup>12</sup>

We also utilized data analysis software to analyze all 4,123 P-Card transactions in our population for characteristics of potential fraud and improper transactions.<sup>13</sup>

Table 3: Sampling Methodology<sup>14</sup>

Objective	Population	Population Size	Population \$	Random Sample Size	Random Sample \$ Value	Targeted Sample Size	Targeted Sample \$ Value
Citation Revenue	Unpaid red-light and speed camera citations issued during FY21 to FY23	113,375	\$5,076,233	36	\$1,667	0	\$0

<sup>12</sup> A split transaction is defined in the Montgomery County Maryland Purchasing Card Program Policy and Procedure Manual as “a single item costing more than \$10,000.00, which is split into multiple to circumvent the \$10,000.00 limit.” It is considered an “egregious” violation.

<sup>13</sup> We used various data analytic scripts to identify P-Card transactions incurred during our audit scope period exhibiting characteristics of questionable vendors, excluded merchant category code purchases, weekend and holiday purchases, unusual amounts or relationships, year-end spending, duplicate payments (through expense reimbursements), or split purchases (a single item costing more than \$10,000 which is split into multiple transactions to circumvent the \$10,000 limit).

<sup>14</sup> For all random samples, the OIG utilized a confidence level of 95%, a tolerable deviation rate of 8% and an expected deviation rate of 0%.

## APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

Expense Payments	MCPD operating expense transactions recorded in the GL during FY23	13,279	\$36,335,943	36	\$81,620	13	\$285,100
P-Card Usage	MCPD P-card transactions incurred and recorded in PaymentNet during the period of July 1, 2022 – May 1, 2023	4,123	\$1,575,234	36	\$20,682	5	\$87,098

### Internal Controls

We evaluated MCPD’s internal controls and compliance with policies and procedures related to the processing and approval of expense payments and reconciliation of citation revenue. However, we did not assess MCPD’s internal control structure to provide assurance on its effectiveness. We conducted walkthroughs, interviews, and documentation reviews to assess whether internal controls related to the design of appropriate types of control activities, separation of duties, and documentation of responsibilities through policies are properly designed and implemented. It is important to note that our review was limited in scope and may not have identified all internal control deficiencies that may have existed at the time of this audit.

### Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# APPENDIX B: THE CAO'S RESPONSE

The Chief Administrative Officer provided the following response to our report:



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich  
County Executive

Richard S. Madaleno  
Chief Administrative Officer

## MEMORANDUM

March 8, 2024

TO: Megan Davey Limarzi, Inspector General

FROM: Richard S. Madaleno, Chief Administrative Officer *BSM*

SUBJECT: Inspector General Confidential Draft Report: Performance Audit of Financial Management Processes – Montgomery County Department of Police (OIG Publication #OIG-24-09)

Thank you for the opportunity to respond to the issues identified in the report. The Police Department performs a vital role in protecting the safety of the County's residents. We are proud of their work and the services they provide the County.

We acknowledge that there are opportunities to improve administrative processes within the Police Department (MCPD). Such enhancements, including updated and improved documentation of processes are important, but often can be impacted by staffing and resources. This audit also occurred during a period of management transition and instability for eight months following a retirement. Your report's findings and recommendations will be useful as we continue to improve processes in the future.

While we acknowledge there are opportunities for process improvement, it is important to note that this audit report did not find any waste, fraud, or other malfeasance.

The report noted the following recommendations.

**Recommendation 1:** MCPD should ensure reconciliations [of red light and speed camera citation revenue] are performed and completed at least monthly, to include reconciling associated credits, to ensure invoices are accurate.

**CAO Response:** We concur with the recommendation. MCPD plans to initiate a monthly reconciliation process for citation revenue and associated credits. This process will involve a detailed review of collected citation revenue, verification of contractor-provided credits, and reconciliation of these figures with corresponding invoices. This monthly reconciliation will

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provide a systematic approach to identifying and rectifying any discrepancies in a timely manner. MCPD expects to pilot the reconciliation process starting April 2024, and fully implement the process by July 1, 2024, the start of the new fiscal year.

**Recommendation 2:** MCPD should develop, and institute written procedures for the reconciliation of [of red light and speed camera] citation revenue.

**CAO Response:** We concur with the recommendation. MCPD is in the process of developing and instituting written guidelines for the reconciliation of citation revenue. These procedures, which MCPD expects to implement by December 2024, will outline the steps involved in the reconciliation process, including the verification of collected citation revenue and credits. MCPD expects to develop and implement the procedures by the third quarter of FY25; and will ensure the procedures are communicated and accessible to all relevant personnel involved in the reconciliation process.

**Recommendation 3:** MCPD should implement procedures to provide timely oversight of the [traffic enforcement] contractor's attempts to collect unpaid citations.

**CAO Response:** We concur with the recommendation. MCPD is researching any limitations on its oversight role in the contractor's attempt to collect unpaid citations, specifically, how to work with the current vendor to have them engage a third-party collection process. Such an action would require an amendment to the current contract to define collection rates.

At this point, MCPD is in the process of assessing the ability of the current contractor to track the status of unpaid citations and accurately and comprehensively report their efforts. After that, we will amend the contract such that a third-party collection process for unpaid citations can begin and MCPD is able to develop and implement procedures to ensure timely oversight of the traffic enforcement contractor's attempts to collect unpaid citations. These procedures will involve regular reviews and monitoring of the contractor's activities, with a specific focus on the status of unpaid citations and the effectiveness of their collection efforts. Within the next eight weeks, MCPD should be able to assess the current contract and develop the possible next steps.

**Recommendation 4:** The County should update the *Accounts Payable Policies* to include instructions on the treatment of vendors doing business with the County prior to the implementation of Central Vendor Registration System (CVRS).

**CAO Response:** We concur with the recommendation. As the Department of Finance shared with the Office of Inspector General (OIG) and as noted in the report, vendors that were doing business with the County prior to the implementation of the CVRS, are not required to register again through CVRS. Since this is a technical clarification that does not impact current departmental responsibilities or processes, the Department of Finance will update the Accounts Payable Policy during the next annual review of this policy, expected to occur Fall 2024, to

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address the treatment of suppliers in the Oracle Master Supplier Database approved prior to the implementation of the CVRS.

**Recommendation 5:** MCPD should establish and implement procedures to standardize the approval process for invoices.

**CAO Response:** We concur with the recommendation. MCPD is in the process of establishing and implementing standardized procedures to address the inconsistencies identified. These procedures will outline clear guidelines for the review and approval of invoices, including designated approval authorities, documentation requirements, and validation procedures. Standardizing the invoice approval process will enhance efficiency and ensure compliance with County policies and regulations. MCPD expects to implement these procedures by January 2025.

**Recommendation 6:** MCPD should establish and implement procedures to monitor vendor expenses to ensure cumulative payments do not exceed purchasing thresholds.

**CAO Response:** We concur with the recommendation. MCPD recognizes the importance of monitoring vendor expenses and is developing and implementing procedures to systematically monitor cumulative payments to vendors. These procedures will include mechanisms to track vendor expenses, monitor cumulative payments against purchasing thresholds, and implement appropriate controls to prevent unauthorized expenditures. MCPD expects to implement and conduct training on the procedures by the end of fiscal year 2025.

**Recommendation 7:** MCPD should update Function Code 272 to include references to current County policies and reflect current processes for requesting and approving the purchase of goods and services, including the types of transactions that require a purchase request.

**CAO Response:** We concur with the recommendation. MCPD has initiated the process of updating the information contained in Function Code 272 and expects to complete this update process by January 2025. Eventually, Function Code 272 will be replaced by a Training Guide/Booklet. The new Training Guide/Booklet will align with current county policies and reflect the latest processes for requesting and approving the purchase of goods and services. This Training Guide/Booklet update will include references to relevant County policies, ensuring consistency and compliance with external regulations.

**Recommendation 8:** MCPD should ensure all non-local travel is recorded in eTravel prior to employees initiating travel.

**CAO Response:** We concur with the recommendation. MCPD will develop and implement a policy to ensure that all non-local travel is recorded in eTravel before employees initiate travel. MCPD expects that this policy will be implemented by January 2025, with training and full implementation being completed by July 1, 2025. The policy will include clear instructions and

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guidelines for employees to follow when entering travel information into eTravel, ensuring compliance with the County's Non-Local Travel policy.

**Recommendation 9:** MCPD should address concerns about entering sensitive travel information in eTravel with County leadership.

**CAO Response:** We concur with the recommendation. We have been advised by MCPD that they will be bringing this issue forward in the next several months with recommendations about how to best address these concerns and find a suitable resolution. The goal is to ensure that employees feel confident and secure when entering sensitive travel information related to ongoing criminal investigations into eTravel. MCPD is exploring options to enhance security measures and provide the necessary assurances to address any apprehensions. We will report back on the status by the end of June 2024.

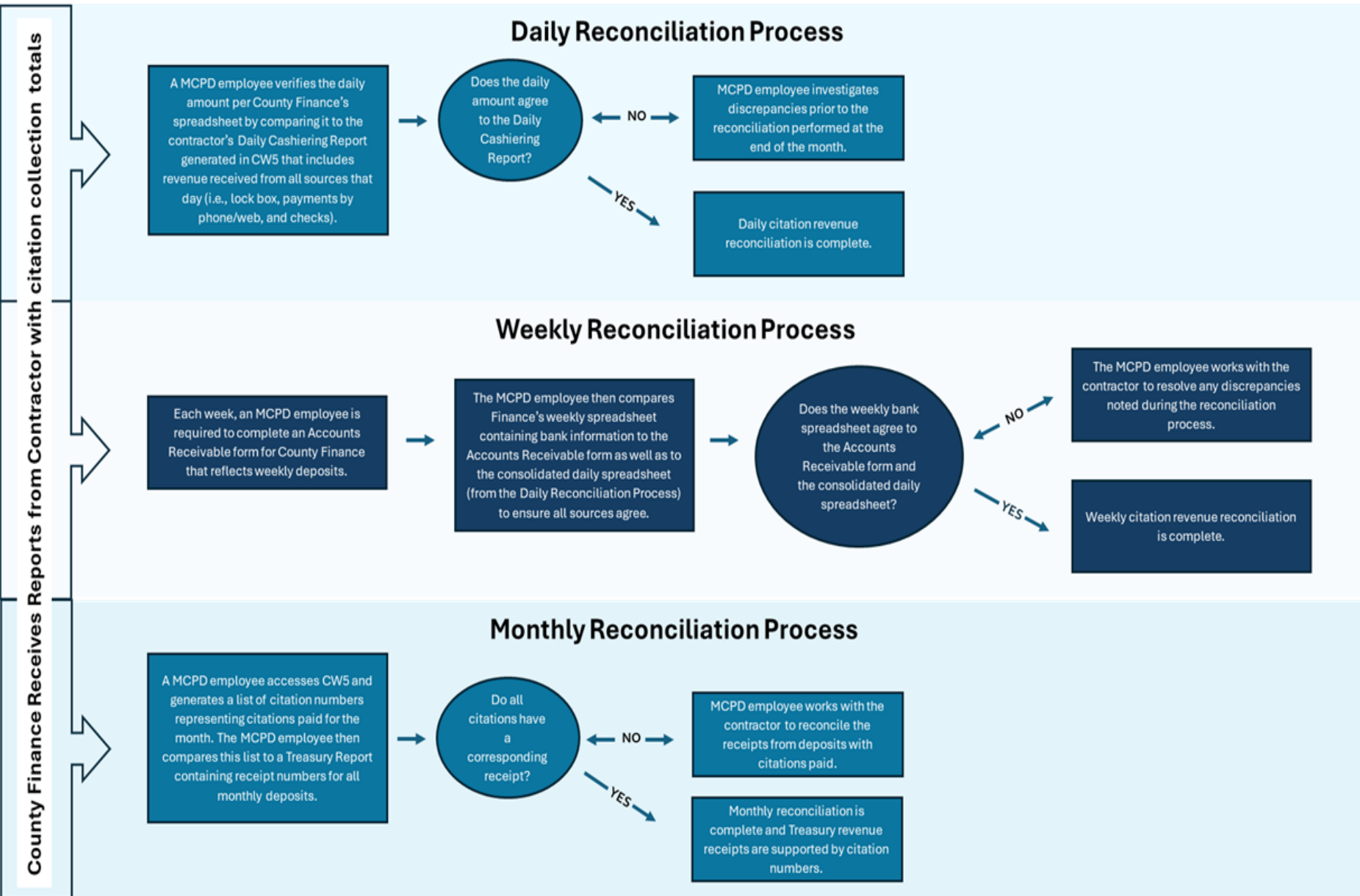
**Recommendation 10:** MCPD should ensure that P-Card transactions are supported with itemized receipts that include all required information.

**CAO Response:** We concur with the recommendation. MCPD will provide, beginning August 2024, updated training to all employees involved in P-Card transactions, outlining the specific documentation requirements and the importance of compliance with County policies. Additionally, MCPD is planning to send out monthly reminders beginning January 2025 that all P-Card transactions require an itemized receipt. Any P-Card users and their approvers who are found in non-compliance by County Finance will be required to attend the County's P-Card Training refresher course. MCPD will continue to communicate the importance of compliance with this policy to all relevant personnel involved in P-Card transactions, emphasizing the need for accurate and complete documentation, and plans to enhance its communication to include quarterly notifications reminding everyone that a thorough check for the presence of itemized receipts and required information before P-Card transactions are uploaded to the County's P-Card system.

Thank you for bringing these matters to our attention.

cc: Fariba Kassiri, Deputy Chief Administrative Officer, Office of the County Executive  
Earl Stoddard, Assistant Chief Administrative Officer, Office of the County Executive  
Marcus Jones, Chief, Montgomery County Police Department  
Michael Coveyou, Director, Department of Finance  
William Broglie, Internal Audit Manager, Office of the County Executive

# APPENDIX C: CITATION REVENUE RECONCILIATION PROCESS



## APPENDIX D: RECOMMENDATION STATUS AND FOLLOW-UP

This Appendix provides a summary of the findings and recommendations presented in this report along with the OIG’s assessment of the county’s progress towards addressing the recommendations. The OIG categorizes progress towards implementation into the following 4 status groups:

- Open Unresolved: No management response, inadequate response, or no agreement on corrective action plan.
- Open In Progress: Agreed on planned action, auditee is in the process of implementing stated actions, but no evidence of implementation has yet been provided to the OIG.
- Open Resolved: Auditee provided support to OIG indicating implementation was complete, OIG testing to ensure implementation.
- Closed: Recommendation has been implemented.

Finding #	Finding	Recommendation	CAO Response	Status
1	MCPD did not always confirm the accuracy of collected citation revenue or contractor provided credits prior to approving and paying related invoices and does not have written procedures documenting processes used for the reconciliation of citation revenue received.	<b>1a:</b> We recommend MCPD ensure reconciliations are performed and completed at least monthly, to include reconciling associated credits, to ensure invoices are accurate.	<b>Concur:</b> MCPD plans to initiate a monthly reconciliation process for citation revenue and associated credits. MCPD expects to pilot the reconciliation process starting April 2024, and fully implement the process by July 1, 2024, the start of the new fiscal year.	Open Unresolved



APPENDIX D: Recommendation Status and Follow-Up

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Finding #	Finding	Recommendation	CAO Response	Status
		<p><b>1b:</b> We recommend MCPD develop and institute written procedures for the reconciliation of citation revenue.</p>	<p><b>Concur:</b> MCPD is in the process of developing and instituting written guidelines for the reconciliation of citation revenue. These procedures, which MCPD expects to implement by December 2024, will outline the steps involved in the reconciliation process. MCPD expects to develop and implement the procedures by the third quarter of FY25; and will ensure the procedures are communicated and accessible to all relevant personnel involved in the reconciliation process.</p>	<p>Open Unresolved</p>

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Finding #	Finding	Recommendation	CAO Response	Status
2	MCPD does not provide oversight of the traffic enforcement contractor's handling of unpaid citations or their attempts to collect unpaid revenue.	<b>2:</b> We recommend MCPD implement procedures to provide timely oversight of the contractor's attempts to collect unpaid citations.	<b>Concur:</b> MCPD is researching any limitations on its oversight role in the contractor's attempt to collect unpaid citations, specifically, how to work with the current vendor to have them engage a third-party collection process. Within the next eight weeks, MCPD should be able to assess the current contract and develop the possible next steps.	Open Unresolved
3	MCPD did not always adhere to county policies and regulations when procuring goods and services.	<b>3a:</b> We recommend the county update the Accounts Payable Policies to include instructions on the treatment of vendors doing business with the county prior to the implementation of CVRS.	<b>Concur:</b> Since this is a technical clarification that does not impact current departmental responsibilities or processes, the Department of Finance will update the Accounts Payable Policy during the next annual review of this policy, expected to occur Fall 2024.	Open In Progress

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Finding #	Finding	Recommendation	CAO Response	Status
		<p><b>3b:</b> We recommend MCPD establish and implement procedures to standardize the approval process for invoices.</p>	<p><b>Concur:</b> MCPD is in the process of establishing and implementing standardized procedures to address the inconsistencies identified. MCPD expects to implement these procedures by January 2025.</p>	<p>Open In Progress</p>
		<p><b>3c:</b> We recommend MCPD establish and implement procedures to monitor vendor expenses to ensure cumulative payments do not exceed purchasing thresholds.</p>	<p><b>Concur:</b> MCPD recognizes the importance of monitoring vendor expenses and is developing and implementing procedures to systematically monitor cumulative payments to vendors. MCPD expects to implement and conduct training on the procedures by the end of fiscal year 2025.</p>	<p>Open Unresolved</p>

## APPENDIX D: RECOMMENDATION STATUS AND FOLLOW-UP

Finding #	Finding	Recommendation	CAO Response	Status
4	MCPD's internal written procedures for the acquisition of goods and services are outdated.	<b>4:</b> We recommend MCPD update Function Code 272 to include references to current county policies and reflect current processes for requesting and approving the purchase of goods and services, including the types of transactions that require a purchase request.	<b>Concur:</b> MCPD has initiated the process of updating the information contained in Function Code 272 and expects to complete this update process by January 2025.	Open In Progress
5	P-Card transactions related to Non-Local travel were not documented and approved in eTravel as required by the county's Non-Local Travel policy.	<b>5a:</b> We recommend MCPD ensure all non-local travel is recorded in eTravel prior to employees initiating travel.	<b>Concur:</b> MCPD will develop and implement a policy to ensure that all non-local travel is recorded in eTravel before employees initiate travel. MCPD expects that this policy will be implemented by January 2025, with training and full implementation being completed by July 1, 2025.	Open Unresolved

APPENDIX D: Recommendation Status and Follow-Up

Finding #	Finding	Recommendation	CAO Response	Status
		<p><b>5b:</b> We recommend MCPD address concerns about entering sensitive travel information in eTravel with county leadership.</p>	<p><b>Concur:</b> We have been advised by MCPD that they will be bringing this issue forward in the next several months with recommendations about how to best address these concerns and find a suitable resolution. We will report back on the status by the end of June.</p>	<p>Open In Progress</p>
<p>6</p>	<p>Sampled P-Card transactions did not always have support uploaded to the county's P-Card system as required by county policy.</p>	<p><b>6:</b> We recommend MCPD ensure that P-Card transactions are supported with itemized receipts that include all required information.</p>	<p><b>Concur:</b> MCPD will provide, beginning August 2024, updated training to all employees involved in P-Card transactions, outlining the specific documentation requirements and the importance of compliance with County policies. Additionally, MCPD is planning to send out monthly reminders beginning January 2025 that all P-Card transactions require an itemized receipt.</p>	<p>Open In Progress</p>