



**Committee:** Directly to Council  
**Staff:** Blaise DeFazio, Senior Legislative Analyst, OLO  
**Purpose:** To receive and release a report from OLO - No vote expected  
**Keywords:** #Audit, End-of-Year Report

AGENDA ITEM #2F  
December 7, 2021  
Receipt

## SUBJECT

Receipt of the Audit Committee's 2021 End-of-Year Report

## EXPECTED ATTENDEES

None

## COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

N/A

## DESCRIPTION/ISSUE

End-of-year report from the Audit Committee, listing the topics discussed by the Committee in 2021 and the information presented to the Committee in 2021.

## SUMMARY OF KEY DISCUSSION POINTS

N/A

### **This report contains:**

2021 Audit Committee End-of-Year Report


Pages 1-5


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**M E M O R A N D U M**

December 2, 2021

**To:** County Council

**Via:** Nancy Navarro, Chair   
Audit Committee

**From:** Blaise DeFazio, Senior Legislative Analyst   
Office of Legislative Oversight

**Subject:** **2021 Audit Committee End-of-Year Report to Council**

In January 2009, the Council established an Audit Committee in response to a review of County oversight practices conducted by the Office of the Inspector General (OIG). The Committee's charge is to enhance oversight of the County Government's financial reporting, management control, and audit activities.

Council Resolution 16-826, County Council's Audit Function, gives the Government Operations and Fiscal Policy (GO) Committee the responsibility to meet as the Audit Committee (the "Committee"). The Council President and Vice President sit as *ex officio* voting members of the Committee and the Office of Legislative Oversight coordinates staff support. The Committee is required to submit a report to the Council each December. This memorandum serves as the Committee's End-of-Year report to the Council. It is organized as follows:

- **Section A** lists the topics discussed by the Committee in 2021; and
- **Section B** describes information presented to the Committee in 2021.

**A. Topics Discussed in 2021**

The Audit Committee met two times during 2021 – in April and in July. The table below lists the primary topics discussed by the Committee.

Discussion Topic	Staff
<b>April 2021</b>	
Report on the external audits of the FY20 financial statements of the County Government, the County Government’s retirement plans, and the County Government’s Consolidated Retiree Health Trust	Representatives from SB & Company Director and Staff, Department of Finance Executive Director and Staff, Montgomery County Employee Retirement Plans
<b>July 2021</b>	
Update on work in the Office of the Inspector General	Inspector General
Update on work in the Office of Internal Audit	Manager, Office of Internal Audit Deputy Chief Administrative Officer

In addition, in April 2021 the Council entered into the second year of the four-year contract with SB & Company for external audit services.

**B. Description of Information Reviewed by the Committee in 2021**

The three primary sources of audit information for Montgomery County Government consist of:

- The Executive Branch Office of Internal Audit;
- The Legislative Branch Office of the Inspector General; and
- The Council’s contracts for independent external audits of the County Government’s financial statements, the financial statements of the County Government’s employee retirement plans, the financial statements of the Montgomery County Consolidated Retiree Health Trust, the financial statements of the Montgomery County Union Employees Deferred Compensation Plans, and other associated audit work.

Since FY17, the combined approved budgets for these three activities have grown by \$1,245,447 (66%). The six-year period saw a 107% increase in the OIG budget, a 31% increase in the budget of the Office of Internal Audit, and a 1% increase in funding for the external audit contracts.

Component	Approved Budget						Difference FY15-FY22	% Change
	FY17	FY18	FY19	FY20	FY21	FY22		
Office of Internal Audit/OCE	\$417,318	\$525,552	\$553,478	\$540,840	\$546,928	\$544,667	\$127,349	31%
Office of Inspector General	\$1,040,681	\$1,071,872	1,140,590	\$1,231,797	\$1,835,612	\$2,152,817	\$1,112,136	107%
Independent Audit Contracts/OLO	\$420,820	\$420,820	\$420,820	\$425,464	\$425,491	\$426,782	\$5,962	1%
<b>Total</b>	<b>\$1,878,819</b>	<b>\$2,018,244</b>	<b>\$2,114,888</b>	<b>\$2,198,101</b>	<b>\$2,808,031</b>	<b>\$3,124,266</b>	<b>\$1,245,447</b>	<b>66%</b>

Source: Approved FY17-FY22 Operating Budgets

**External Audits.** In April 2021, the Committee received reports from staff at SB & Company (SB). SB conducted the audits of the FY20 County Government financial statements, the financial statements of the Montgomery County Employee Retirement Plans, the financial statements of the Montgomery County Consolidated Retiree Health Benefits Trust, the Federal Single Audit, and the Montgomery County Union Employees’ Deferred Compensation Plan (MCUEDCP).

SB representatives reported that the County Government retirement system’s, and the consolidated retiree health benefits trust’s financial statements presented fairly, in all material respects, for their respective financial positions. For the eighth year in a row, SB did not identify any significant deficiencies or material weaknesses related to its audit of the County Government’s financial statement. For FY20, SB did not issue a Management Letter for the audit of the County Government retirement system’s, and the consolidated retiree health benefits trust’s financial statements.

For the FY20 Federal Single Audit, SB reported it did not find any deficiencies in internal control that it considers material weaknesses or significant deficiencies. Finally, in a November follow-up memo to the Committee regarding the audit of the financial statements of the MCUEDCP, OLO reported that SB found the Plan’s financial statements presented fairly, in all material respects, the position available for plan benefits as of December 31, 2020.

**Internal Audit and Inspector General Status Reports.** The Office of Internal Audit (OIA) and the Office of the Inspector General (OIG) conduct reviews of County Government programs and activities. Both offices base a portion of their reviews on an assessment of a program or an activity’s risk for abuse. Areas of the County Government that both OIA and OIG consider to be high risk for potential abuse include: procurement, capital projects, major information technology systems, payroll, overtime, disability, and health care benefits. Below displays the OIG and OIA reports completed in FY21 and FY22 and works in progress.

# Office of the Inspector General

## FY21 Reports

DOCR Key Control and Scheduling Systems Have Yet to be Implemented  
Fiscal Year 2020 Annual Report  
MPIA Compliance Issues with Police and Other Department Websites  
County SharePoint Platform Exposes Sensitive Information of Vulnerable Populations  
Lessons Learned from County COVID-19 Grant Programs  
DPS Inspectors were Overpaid COVID Differential Pay  
Tree House Child Advocacy Center of Montgomery County, MD  
Public Health Emergency Grant Program  
Lessons Learned from County COVID Loaner Laptop Purchases  
DHHS IT Purchase Card Allegation  
Allegation of Self-Dealing at Montgomery County Economic Development Corporation  
Follow-Up Review to A Review of Management Control Deficiencies Contributing to the Misappropriation of Montgomery County Economic Development Funds  
Allegations of wrongdoing by the Executive Director and a Commissioner of the Housing Opportunities Commission  
Compliance Review of Bridge Contracting

## FY22 Reports

Investigation of a Restaurant Relief Grant Applicant  
Investigation Involving the Misuse of HOC Vehicles  
COVID-19 Rental Assistance Programs  
Fiscal Year 2021 Annual Report  
Updates to AP 1-2 and 1-5 Recommended  
Performance Audit of the Administration of the Montgomery County Employee Retirement Plans and Consolidated Retiree Health Benefits Trust

## Current OIG Engagements in Progress

Review of the Office of Consumer Protection focusing on the administration of the New Home Builder and New Home Seller Registration Program  
Inspection to assess the degree to which the County maintains accountability of its light duty fleet vehicles  
Audit to assess the effectiveness and efficiency of operations Montgomery County Public Libraries operations and compliance with applicable policies, laws, and regulations  
Review of the Department of Recreation's processing of criminal history background checks for temporary-seasonal employees  
Investigations initiated as a result of hotline complaints and OIG fieldwork

## **Office of Internal Audit**

### **FY21 Reports**

Purchasing Card Program Review – Internal Controls

Information Technology Audit: Change Management

Information Technology Audit: Patch Management

Targeted Internal Control Review – Procure to Pay: Receiving, Invoicing, and Payments

Targeted Internal Control Review – Procure to Pay: Needs Assessment, Solicitation, and Contracting

Information Technology Audit: Vendor and Contractor Management

### **FY22 Reports**

Review of Compliance with County Policies on COVID Front Facing Onsite Differential Pay

### **Current OIA Engagements in Progress**

Information Technology Audit: Asset Management

Information Technology Audit: Access Management

Procure-to-Pay: Vendor Administration