

Subject: Public Hearing – Bill 11-19, Administration – Internal Audit – Inspector General - Amendments	
Purpose: To receive testimony – no vote expected	
Analyst: Robert H. Drummer, Senior Legislative Attorney	Committee: GO
Keywords: #TransparencyinGovt	
Other search terms: audit, accounting, contracting, Inspector General, Office of Internal Audit	

EXPECTED ATTENDEES

None.

DESCRIPTION/ISSUE

This Bill would increase the legislative oversight of the County's internal accounting and contracting processes. It would require the Office of Internal Audit to prepare an annual work plan and expand the duties of the Inspector General. The Bill would require the IG to conduct a risk analysis of the County's internal controls and processes, and based on the risk analysis, conduct a systematic rotating group by group review of the internal accounting and contracting processes and controls used by each department and principal office in the Executive Branch. The Bill would also require the IG to audit large County contracts funded in the operating budget.

SUMMARY OF KEY DISCUSSION POINTS

- The need for better legislative oversight by the Council.
- The best way to help the Council improve its legislative oversight of the Executive Branch.
- The potential overlap between the Inspector General's performance audits and the County Attorney's duties.

This report contains:

Detailed Staff Report

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MEMORANDUM

June 7, 2019

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney

SUBJECT: Bill 11-19, Administration – Internal Audit – Inspector General - Amendments

PURPOSE: Public Hearing – no Council votes required

Bill 11-19, Administration – Internal Audit – Inspector General - Amendments, sponsored by Lead Sponsor the Audit Committee, was introduced on May 7, 2019. A Government Operations and Fiscal Policy Committee worksession is tentatively scheduled for July 15 at 2:00 p.m.¹

Bill 11-19 would improve the legislative oversight of the County’s internal accounting and contracting processes. The Bill would require the Office of Internal Audit to prepare an annual work plan for approval of the Chief Administrative Officer and submit the work plan to the Council for comment. The Bill would also require the Office to submit an annual report to the Inspector General (IG).

The Bill would also expand the IG’s duties by requiring the IG to conduct a risk analysis of the County’s internal controls and processes, and based on the risk analysis, conduct a systematic rotating group by group review of the internal accounting and contracting processes and controls used by each department and principal office in the Executive Branch. The Bill would also require the IG to audit each completed County contract funded in the operating budget with a contract value greater than \$1 million.

This packet contains:	<u>Circle #</u>
Bill 11-19	1
Legislative Request Report	5

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¹#TransparencyinGovt

Other search terms: audit, accounting, contracting, Inspector General, Office of Internal Audit

Bill No. 11-19
Concerning: Administration – Internal
Audit – Inspector General –
Amendments
Revised: April 23, 2019 Draft No. 3
Introduced: May 7, 2019
Expires: November 7, 2020
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Audit Committee

AN ACT to:

- (1) increase the legislative oversight of the County’s internal accounting and contracting processes;
- (2) modify the duties of the Office of Internal Audit;
- (3) expand the duties and authority of the Inspector General; and
- (4) generally amend the law governing the Office of Internal Audit and the Inspector General.

By amending

Montgomery County Code
Chapter 2, Administration
Sections 2-25A and 2-151

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

1 **Sec. 1. Sections 2-25A and 2-151 are amended as follows:**

2 **2-25A. Office of Internal Audit — Functions.**

3 The Office of Internal Audit is part of the Office of the County Executive. The Office
4 of Internal Audit must conduct its work in accordance with professional standards
5 relevant to internal audit.

6 **(a) Duties.** The Office must:

7 [(a)] (1) identify areas of risk in accountability systems;

8 [(b)] (2) conduct fiscal, contract, performance, and information
9 system audits, and attestation engagements;

10 [(c)] (3) undertake investigative audits and audits required by law;

11 [(d)] (4) provide advice to County departments and offices on
12 internal control issues;

13 [(e)] (5) communicate actions necessary to enhance accountability;
14 and

15 [(f)] (6) conduct other investigations and audits as directed by the
16 Chief Administrative Officer.

17 **(b) Annual workplan.** The Office must create an annual workplan subject to
18 the approval of the Chief Administrative Officer. The Chief
19 Administrative Officer must submit the annual workplan to the Council
20 for review and comment on or before each June 1.

21 **(c) Annual report.** The Office must submit a report to the Inspector General
22 on or before each September 15. The report must include the Executive's
23 implementation of each written recommendation:

24 (1) made by the Inspector General in the previous fiscal year;

25 (2) made by the Office in the previous fiscal year; and

26 (3) identified by the Office of Legislative Oversight for action by the
27 Executive in the previous fiscal year.

28 **2-151. Inspector General.**

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30

(h) *Powers and Duties.*

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(1) The Inspector General must attempt to identify actions which would enhance the productivity, effectiveness, or efficiency of programs and operations of County government and independent County agencies. In developing recommendations, the Inspector General may:

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[(1)] (A) conduct investigations, budgetary analyses, and financial, management, or performance audits and similar reviews; and

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[(2)] (B) seek assistance from any other government agency or private party [,] or undertake any project jointly with any other governmental agency or private body.

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(2) The Inspector General must:

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(A) in coordination with the Office of Internal Audit, conduct a risk analysis of the County's internal controls and processes;

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(B) based on the risk analysis, conduct a systematic rotating group by group review of the County's internal accounting and contracting processes and controls used by each department and principal office in the Executive Branch;

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(C) review and evaluate compliance with Federal, State, and County laws by each department and principal office in the Executive Branch; and

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(D) conduct an audit of each completed County contract funded in the operating budget with a contract value greater than \$1 million.

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55 In each project of the Office, the Inspector General should uphold the
 56 objective of complying with applicable generally accepted government
 57 auditing standards.

58 (i) *Work plan.* The Inspector General must direct the activities of the Office
 59 of the Inspector General, subject to a work plan for the Inspector
 60 General's 4-year term which the Inspector General must adopt within 6
 61 months after being appointed. The Inspector General may amend the plan
 62 during a term. The Inspector General must consider recommendations
 63 and may seek suggestions for the work plan from the Executive, the
 64 County Council, the head of each independent County agency,
 65 employees of County government and independent County agencies,
 66 employee organizations, and individual citizens. The work plan must
 67 include the risk analysis, systematic review, and audits required in
 68 subsection (h). The Inspector General must release the work plan to the
 69 public but may treat any item or suggestion for an item as confidential
 70 when advance public or agency knowledge of that item or suggestion
 71 would frustrate or substantially impede the work of the Office.

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73 *Approved:*

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Nancy Navarro, President, County Council

Date

75 *Approved:*

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Marc Elrich, County Executive

Date

LEGISLATIVE REQUEST REPORT

Bill 11-19

Administration – Internal Audit – Inspector General - Amendments

DESCRIPTION: Bill 11-19 would increase the legislative oversight of the County's internal accounting and contracting processes. The Bill would require the Office of Internal Audit to prepare an annual work plan for approval of the Chief Administrative Officer and submit the work plan to the Council for comment. The Bill would also require the Office to submit an annual report to the Inspector General (IG).

The Bill would expand the IG's duties by requiring the IG to conduct a risk analysis of the County's internal controls and processes, and based on the risk analysis, conduct a systematic rotating group by group review of the internal accounting and contracting processes and controls used by each department and principal office in the Executive Branch. The Bill would also require the IG to audit each completed County contract funded in the operating budget with a contract value greater than \$1 million.

PROBLEM: The Council needs more support from the IG and the Office of Internal Audit to improve its oversight of the Executive Branch.

GOALS AND OBJECTIVES: The goal is to help the Council improve its oversight of the Executive Branch.

COORDINATION: Office of Internal Audit, CAO, County Attorney, Inspector General

FISCAL IMPACT: To be provided

ECONOMIC IMPACT: To be provided

EVALUATION: To be provided

EXPERIENCE ELSEWHERE: To be researched.

SOURCE OF INFORMATION: Robert H. Drummer, Senior Legislative Attorney

APPLICATION WITHIN MUNICIPALITIES: N/A

PENALTIES: N/A