



Committee: Directly to Council
Committee Review: N/A
Staff: Gene Smith, Legislative Analyst
Purpose: To receive testimony/final action - vote expected
Keywords: IG

AGENDA ITEM #7
November 5, 2019
Public Hearing/Action

SUBJECT

Special appropriation to the County Government's FY20 Operating Budget, Office of the Inspector General - \$272,881 for implementation of Bill 11-19; source is General Fund Reserves

EXPECTED ATTENDEES

Megan Limarzi, Inspector General

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- The Government Operations and Fiscal Policy (GO) Committee is the committee responsible for oversight of the Office of the Inspector General and is sponsoring the proposed resolution.
- Approval of the subject resolution allows the Inspector General (IG) to begin implementation of Bill 11-19 as soon as possible.

DESCRIPTION/ISSUE

The Council enacted Bill 11-19 on October 15, 2019 to expand the duties of the IG. The GO Committee is sponsoring the proposed resolution to enable the IG to implement Bill 11-19 in FY20 (see ©1-2).

SUMMARY OF KEY DISCUSSION POINTS

- Bill 11-19 requires that the Inspector General conduct a systematic risk-based 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 OIG submitted a phased-in staffing approach to implement Bill 11-19 (see ©3). The proposed resolution only appropriates funding for FY20.
- The proposed resolution appropriates funding based on the expectation that hiring new staff will not be immediate. Total annualized expenditures for this appropriation is \$665,552.
- Action is tentatively scheduled following the public hearing.

This report contains:

Staff Report
Proposed Resolution
OIG Cost Estimates


Pages 1-3
© 1
© 3

Alternative format requests for people with disabilities. If you need assistance accessing this report you may submit alternative format requests to the ADA Compliance Manager. The ADA Compliance Manager can also be reached at 240-777-6197 (TTY 240-777-6196) or at adacompliance@montgomerycountymd.gov

MEMORANDUM

October 31, 2019

TO: County Council

FROM: Gene Smith, Legislative Analyst 

SUBJECT: Special appropriation to the County Government's FY20 Operating Budget, Office of the Inspector General - \$272,881 for implementation of Bill 11-19

PURPOSE: Receive public comments followed by action – votes required

Expected Attendees

Megan Limarzi, Inspector General

I. Introduction and Summary

The Government Operations and Fiscal Policy (GO) Committee sponsored the proposed resolution to appropriate \$272,881 in FY20 for the Office of the Inspector General (OIG) (see ©1-2). The proposed FY20 appropriation is necessary to implement Bill 11-19 and includes \$174,110 in personnel expenditures for five new positions and \$98,771 in operating expenditures.¹ **Action is tentatively scheduled following the public hearing.**

II. The OIG and Bill 11-19

The goals of the Inspector General (IG) are to: 1) review the effectiveness and efficiency of programs and operations of County government and independent County agencies; 2) prevent and detect fraud, waste, and abuse in government activities; and 3) propose ways to increase the legal, fiscal, and ethical accountability of County government departments and County-funded agencies. The FY20 appropriation for the OIG is \$1,231,797. This appropriation includes funding for 7.00 full-time equivalents (FTEs) and a modest amount for operating expenses for the office. On the following page is a table comparing the County's audit and IG functions to other jurisdictions.

¹ https://apps.montgomerycountymd.gov/ccllims/DownloadFilePage?FileName=2607_1_9747_Bill_11-19_Action_20191015.pdf

Oversight Functions in Montgomery County and Other Jurisdictions

County/City	Function	Location	Budget*	FTEs*
Anne Arundel County, MD	Office of the County Auditor	Legislative	\$1,559,000	7
		Total	\$1,559,000	7
Baltimore City, MD	Department of Audits	Independent	\$5,160,362	47
	Inspector General	Executive	\$766,792	10
		Total	\$5,927,154	57
Baltimore County, MD	County Auditor	Legislative	\$1,732,263	17
		Total	\$1,732,263	17
Prince George's County, MD	Audit and Investigations	Legislative	\$2,308,000	19
		Total	\$2,308,000	19
District of Columbia	Office of the DC Auditor	Legislative	\$6,228,782	32.6
	External Audit (in OCFO)**	Independent	\$3,568,000	26
	Inspector General	Independent	\$18,763,338	112
		Total	\$28,560,120	170.6
Fairfax County, VA	Internal Audit (in CE)	Executive	\$1,427,931	14
	External Audit (in Finance) **	Executive	\$3,486,667	13
	Financial Program & Audit	Legislative	\$400,704	3
		Total	\$5,315,302	30
Montgomery County, MD	Internal Audit (in CE)	Executive	\$553,478	1
	External Audit NDA	Legislative	\$420,820	0.33
	Inspector General	Legislative	\$1,140,590	7
		Total	\$2,114,888	8.33

*Approved FY19 budget. The County's appropriation includes funding for potential contracts.

**Entire Financial Reporting Program under a department; External Audit costs are not broken out.

Bill 11-19 expanded the duties of the IG. The bill requires that the IG conduct a systematic risk-based 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 also requires that the IG audit high-risk County contracts and agreements. Bill 11-19 was enacted by the Council on October 15, 2019 and signed into law by the Executive on October 22, 2019.

See ©3 for the IG's expenditure estimate for the four-year phased-in implementation plan for Bill 11-19. This table is similar to the one provided to the GO Committee during the review of Bill 11-19, except for a minor reduction in the FY20 estimate based on the time to hire new staff (i.e., the expenditures are slightly less because hiring will occur later than originally estimated). The IG estimates that the FY20 expenditures are \$272,881.

The FY20 estimate includes five new positions and operating expenses to support the increase in staff. The appropriation includes four months of expenditures for the Manager (M2) and Administrative Services Coordinator (G28) and three months of expenditures for the Senior Auditor (G28), Auditor (G26), and Entry-level Auditor (G21). The annualized annual expenditures of the FY20 estimate is \$665,552.

The Council is considering an increase to the OIG's budget at this time because Bill 11-19 expanded the duties of the IG and because hiring professional staff for these expanded duties requires time. If the Council waited until the FY21 budget, the earliest the IG could begin implementing Bill 11-19 would be after October 2020. It is more likely that implementation would begin in January or later of 2021 given that the IG is seeking candidates in a specialized industry. Approval of a special appropriation in FY20 provides resources to begin implementation as soon as possible.

This packet contains:

Proposed Resolution
IG Cost Estimates

Circle #

1
3

Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: Government Operations and Fiscal Policy Committee

SUBJECT: Special Appropriation to the FY20 Operating Budget
Montgomery County Government
Office of the Inspector general - \$272,881

Background

1. Section 308 of the County Charter provides that a special appropriation is an appropriation which states that it is necessary to meet an unforeseen disaster or other emergency, or to act without delay in the public interest. Each special appropriation must be approved by not less than six Councilmembers. The Council may approve a special appropriation at any time after public notice by news release. Each special appropriation must specify the source of funds to finance it.
2. A FY20 Operating Budget special appropriation is requested for the Office of the Inspector General:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Source of Funds</u>
\$174,110	\$98,771	\$272,881	General Fund Undesignated Reserve
3. The Council enacted Bill 11-19 on October 15, 2019. These funds are needed to support the Office of the Inspector General's expansion of duties detailed in Bill 11-19.
4. A special appropriation to the FY20 Operating Budget is requested in the amount of \$272,881 for the Office of the Inspector General and specifies that the source of funds will be General Fund Undesignated Reserve.
5. Notice of public hearing was given, and a public hearing was held.

Action

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

A special appropriation to the FY20 Operating Budget of the Office of the Inspector General is approved as follows:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Source of Funds</u>
\$174,110	\$98,771	\$272,881	General Fund Undesignated Reserve

This is a correct copy of Council action.

Mary Anne Paradise
Acting Clerk of the Council

Inspector General's Fiscal Impact Projection for Four-Year Phased In Implementation of Bill 11-19

Scenario: Risk-based rotating audits						
Current Baseline - 7 FTE	FY19	FY20	FY21	FY22	FY23	FY24
	1,140,590	1,231,797	1,231,797	1,231,797	1,231,797	1,231,797
FTE / Salaries - Inspector General's Projection						
M2 Manager - Deputy Inspector General for Audit						
Cumulative Number added over life of projection		1	1	1	1	1
Projected Personnel Costs		52,204 a	162,939	167,827	172,862	178,048
Administrative Services Coordinator - Grade 28						
Cumulative Number added over life of projection		1	1	1	1	1
Projected Personnel Costs		40,729 a	111,232	120,025	126,435	138,910
Senior Auditor - Grade 28						
Cumulative Number added over life of projection		1	2	3	4	4
Projected Personnel Costs		30,855 a	222,464 e	360,076 e	505,741 e	555,641
Auditor - Grade 26						
Cumulative Number added over life of projection		1	2	3	4	4
Projected Personnel Costs		28,105 a	202,638 e	327,986 e	460,670 e	506,122
Entry level Auditor - Grade 21						
Cumulative Number added over life of projection		1	4	7	8	8
Projected Personnel Costs		22,217 a	297,486 e	589,253 e	752,592 e	800,175
Administrative Specialist II - Grade 18						
Cumulative Number added over life of projection		0	0	1	1	1
Projected Personnel Costs		0 a	0	81,965 e	84,423	86,956
Increases for start-up positions and ongoing overhead						
Furniture	0	23,855 b	0	21,470	0	0
Computer	0	10,436 c	10,436	12,523	6,262	0
Rent Increase	0	46,173 d	95,117	186,144 d	191,728	197,480
Training and continuing education	0	8,369	17,240	28,411	34,750	35,793
Offices supplies	0	5,978	12,315	20,295	24,823	25,567
Business travel (conducting audit activity)	0	1,000	1,061	1,093	1,126	1,159
IDEA Seat License - 2,960 each and 525 annual renewal		2,960	1,050	1,575	2,100	2,100
<i>Note: All salaries have been netted up to include benefits at rate equivalent to current IG staff.</i>						
Total - Risk-based rotating audits cost	1,140,590	1,504,677	2,365,775	3,150,438	3,595,308	3,759,748
Cost increase over baseline	0	272,880	1,133,978	1,918,641	2,363,511	2,527,951
Total - Risk-based rotating audits FTE	7	12	17	23	26	26
Cumulative FTE increase over baseline	0	5	10	16	19	19

Notes:

- Projected Personnel Costs include salaries and benefits increasing at 3% annually, and represent partial year expense for initial year of hire.
- Office furniture for staff addition in FY20 and FY21 are incurred in FY20, and in FY22 for FY22, FY23, & FY24 staff additions.
- Computers will be acquired in the year of the staff addition; cost will be borne by the Device Client Management program in the Department of Technology Services.
- Additional office space is projected to increase in two steps. Initially, interim space will be secured in the second half of FY20 to accommodate the FY20-21 staffing additions. In FY22, space will be increased to accommodate all remaining staff additions project over the program. Cost will be borne by the Non-Departmental Account for Leases. Allowance is made for a 3% annual rent increase projected from the OIG's current office lease.
- Projected Personnel Costs include salaries and benefits increasing at 3% annually, and represent 3/4 year expense for initial year of hire for staff additions.