GO Item 3
September 26, 2019
Worksession

MEMORANDUM

September 23, 2019

TO: Government Operations and Fiscal Policy Committee

FROM: Robert H. Drummer, Senior Legislative Attorney

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

PURPOSE: Worksession – Committee should make recommendations on Bill

Expected attendees:

Megan Limarzi, Inspector General
William Broglie, Internal Auditor
Mike Coveyou, Acting Director of Finance
Fariba Kassiri, Assistant CAO
Ed Lattner, County Attorney's Office

Bill 11-19, Administration – Internal Audit – Inspector General - Amendments, sponsored by Lead Sponsor the Audit Committee, was introduced on May 7, 2019. William Broglie, Internal Auditor, testifying on behalf of the County Executive, supported the Bill with amendments at the public hearing on June 11.[1]

Background

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 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.

Public Hearing

The lone speaker, Internal Auditor William Broglie, testifying on behalf of the County Executive, supported the Bill with amendments (©6-7). Mr. Broglie stated that the CAO plans to establish a Risk Governance Committee in the Executive Branch to oversee the management of the system of internal controls within County government and suggested amending the Bill to

[1]#TransparencyinGovt
Other search terms: audit, accounting, contracting, Inspector General, Office of Internal Audit

require this Committee. Mr. Broglie also recommended amendments to clarify the periodic risk analysis in coordination with the Inspector General. Recently, Deputy CAO Fariba Kassiri sent modified recommended changes and a marked up draft Bill with the Executive's most recent requested changes.[2]

Issues

1. What is the fiscal and economic impact of the Bill?

OMB was unable to estimate the fiscal impact of the Bill but opined that the added duties for the Inspector General could require a significant boost to the IG budget (©7-11). Finance estimated that the Bill would have no economic impact on the County's economy. (©12). Former Inspector General Ed Blansitt separately estimated the additional resources the office would need to accomplish the additional oversight required by the Bill using different assumptions (©13-16).

Mr. Blansitt estimated a range of additional positions (FTEs) to perform the additional work. Under Assumption 1, Mr. Blansitt estimated an additional 9 FTEs needed to perform a fiscal/compliance audit of each of the County's 298 programs within the 38 County Departments and Offices every 6 years. Under Assumption 2, 18 additional FTEs would be needed to complete the review of each program every 3 years.

Mr. Blansitt also estimated the additional FTEs needed to review all contracts entered into since July 1, 2015 valued at either greater than $100,000 or $1 million and audit either 1% or 2% of the highest risk contracts. The additional FTEs for this contract review and audit ranges from 12 to 65 depending on the assumptions. Council staff prepared a chart showing the ranges of additional FTEs under each assumption at ©17.[3]

Since the public hearing, Mr. Blansitt retired and the Council appointed Megan Limarzi as the new Inspector General. Ms. Limarzi has reviewed the Bill and proposed several amendments to clarify the new proactive work that would be assigned to the IG Office. Ms. Limarzi estimated a 4-year phase in of 19 additional FTE's to perform the new work based on her requested amendments. See ©25-26.

2. How does the County's oversight staffing compare to other jurisdictions?

The County Internal Audit Manager is a professional staff of one. The Inspector General's Office currently has a professional staff of 7. Bill 11-19 would add significant proactive duties to the Inspector General and thereby require a significant expansion of the professional staff. As described above, the amount of the additional professional staff positions depends upon the assumptions made for the method of tackling the new tasks. Compared to other surrounding jurisdictions, the County's oversight staff compared to the County budget is currently low. OLO produced the following chart showing the oversight staffing complement in some other local jurisdictions.

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[2] Ms. Kassiri's email describing the changed recommendations is at ©18 and the revised marked up version of the Bill is at ©19-22.

[3] This represents Mr. Blansitt's proposed methodology for completing this additional work. A new Inspector General may look at this new work differently. Also, the additional FTEs could be added over time and not all in one year.

Oversight Functions in 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 table was provided at the March 14 Audit Committee meeting.
**Entire Financial Reporting Program under a department; External Audit costs are not broken out.

3. What are the Executive's proposed changes?

Bill 11-19 has 3 main components designed to increase Council oversight of Executive Branch operations. The Bill would require the Internal Audit Manager to submit an annual work plan to the CAO for approval and require the CAO to submit the work plan to the Council for comment. The Bill would require the Internal Audit Manager to submit an annual report to the Inspector General describing the Executive's implementation of written recommendations made by Internal Audit, the Inspector General, or the Office of Legislative Oversight.

Second, the Bill would require the Inspector General, in coordination with the Internal Auditor:

> "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 County's internal accounting and contracting processes and controls used by each department and principal office in the Executive Branch."

Finally, the Bill would require the Inspector General to audit certain contracts based on the risk analysis.

The Executive's proposed amendments would move the risk analysis work to the Internal Auditor and leave the review of contracts with the Inspector General. See the September 18 email from Deputy CAO Fariba Kassiri at ©18 and the Executive's Proposed Amendments at ©19-22.

Inspector General Limarzi agrees with the Executive's recommendation to assign the identification of areas of risk to the Internal Audit Manager. Ms. Limarzi believes that this would permit the IG to retain independence and that an IG review or audit would include a timely assessment of risks. **Council staff recommendation:** accept the Executive's request to transfer the risk analysis duties from the Inspector General to the Internal Audit Manager. This can be accomplished with the Executive's Proposed Amendments at ©19-22.

4. Does the Bill require the Inspector General to perform a legal audit of contracts that should be done by the County Attorney's Office?

The County Attorney's Office found Bill 11-19 to be legally sufficient (©23-24). However, the County Attorney questioned the Bill's requirement that the Inspector General "review and evaluate compliance with Federal, State, and County laws by each department and principal office in the Executive Branch." The County Attorney is concerned that this mandate would transfer some of the legal duties assigned by the Charter to the County Attorney.

The County Attorney may have pointed out a section of the Bill that needs to be clarified. The Bill requires the Inspector General to review the "County's internal accounting and contracting processes and controls used by each department and principal office in the Executive Branch." This review would necessarily include a review of compliance with law but is not intended to require a full legal audit by the Inspector General. As the County Attorney pointed out, this should be done by the County Attorney's Office. The compliance review in subparagraph

(C) is probably unnecessary and can be deleted without changing the expected additional duties of the Inspector General. **Council staff recommendation:** delete lines 49-51 of the Bill at ©3.

5. Should the Bill be amended to clarify the Inspector General's contract review duties?

Bill 11-19 would require the Inspector General to "conduct an audit of each completed contract funded in the operating budget with a contract value greater than $1 million." This language can be construed to require the Inspector General to conduct a full financial and performance audit of each County contract valued at more than $1 million that has been completed since the County was first formed. Obviously, this construction is not the sponsor's intent and should be clarified. Rather, the intent of the Bill is to require the Inspector General to review each recently completed contract and then determine which, if any, require an audit. The value of the contract limit subject to review would determine the amount of work years required. In addition, it is important to clarify that this mandatory review of certain contracts does not prevent the Inspector General from reviewing and auditing any other contract that the Inspector General determines should be looked at.

Inspector General Limarzi has suggested a less restrictive mandate in the Bill that would permit the IG to audit those contracts that the IG determines are high-risk at any value. IG Amendment 1 would adopt Ms. Limarzi's suggestions on this issue. See ©27. **Council staff recommendation:** approve the IG Amendment 1.

6. Should the Bill include a requirement to fund additional positions for the Inspector General's Office?

The Bill would add significant additional duties to the IG by requiring the IG to operate on a proactive basis along with being complaint based. The new requirements will require additional staff members. Ms. Limarzi has provided a preliminary estimate of the additional staffing needs to accomplish this additional work at ©26. Ms. Limarzi estimates the new work would require a 4-year phase-in of 19 new FTEs. The Council would need to approve a supplemental appropriation recommended by the Executive or a special appropriation introduced by the Council to fund new positions for the IG this fiscal year. Although amending the Bill to add language recognizing the need for sufficient appropriations to implement the Bill would not require the Executive to recommend additional funding in the recommended operating budget or require the Council to approve additional funding in the operating budget, it would emphasize the need to fund these new duties.

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Bill No. 11-19
Concerning: Administration – Internal Audit – Inspector General - Amendments
Revised: August 12, 2019 Draft No. 4
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 Sponsors: Council President Navarro, Council Vice-President Katz and Councilmember Friedson

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

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

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

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

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

(a) *Duties.* The Office must:

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

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

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

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

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

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

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

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

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

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

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

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

29 * * *

30 (h) *Powers and Duties.*

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

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

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

42 (2) The Inspector General must:

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

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

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

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

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.

72 * * *

73 *Approved:*

74

Nancy Navarro, President, County Council Date

75 *Approved:*

76

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

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TESTIMONY ON BEHALF OF COUNTY EXECUTIVE MARC ELRICH

ON BILL 11-19, ADMINISTRATION – INTERNAL AUDIT – INSPECTOR GENERAL - AMENDMENTS

JUNE 11, 2019

Good afternoon Council President and Councilmembers, my name is Bill Broglie and I am the County's Internal Audit Manager. It is a pleasure for me to appear before you on behalf of the County Executive and to offer comments on Bill 11-19, which amends Chapter 2 – Administration of the Montgomery County Code.

The proposed Bill makes several amendments to the functions of the Office of Internal Audit and the duties of the Inspector General. The County Executive supports the intent of Bill 11-19, which is to strengthen the internal controls and management oversight of County programs, and increase the reporting and information provided to the Council on these matters.

The Executive supports taking additional steps to build on our collective lessons learned, and making explicit through Bill 11-19 specific responsibilities of the Office of Internal Audit and the Office of the Inspector General – while ensuring we balance the benefits of increased oversight against the additional costs of these added responsibilities and the likely availability of increased resources within our collective fiscal reality.

The Executive Branch has developed suggested modifications to the Bill that we believe will strike a reasonable balance between the benefits of increased oversight and transparency with the costs associated with strengthening the Office of the Inspector General and the Office of Internal Audit.

Specifically, the Chief Administrative Officer plans to establish a Risk Governance Committee. This Committee would be chaired by the Deputy CAO and would include the Directors of Finance, OCA, OMB, and Procurement, as well as the Internal Audit Manager. The Committee would be responsible for overseeing management of the system of internal controls within County government, including approving annual internal audit plans and resource levels; reviewing the

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results of specific internal control reviews; and reviewing progress on implementation of corrective actions. The Council should consider amending Bill 11-19 to implement, through law, the CAO's planned oversight structure.

Given the increasing demand on County resources, the Council should consider adding language to Bill 11-19 that would clarify that the Office of Internal Audit should conduct risk analyses on a periodic basis, and in coordination with the Inspector General. The Bill should also require the Office of Internal Audit to conduct follow-on internal control audits based on the results of the periodic risk analyses; these targeted internal control audits will ensure that each department and principal office are audited on a regular basis. Assessment of risk and conduct of targeted audits based on this assessment are consistent with the duties of the County Executive set forth in County Charter.

We would also support revisions to the Bill that would clarify the Inspector General's duties with respect to oversight and review of County programs and contracts.

Executive Staff looks forward to working with the Council and the Inspector General on language that addresses the interests of the Council in a cost-effective manner.

Thank you and I am pleased to answer any questions you may have.

ROCKVILLE, MARYLAND

MEMORANDUM

June 7, 2019

TO: Nancy Navarro, President, County Council

FROM: Richard S. Madaleno, Director, Office of Management and Budget
Michael Coveyou, Acting Director, Department of Finance

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

Please find attached the Fiscal and Economic Impact Statements for the above-referenced legislation.

RSM:cm

cc: Andrew Kleine, Chief Administrative Officer
Fariba Kassiri, Deputy Chief Administrative Officer
Debbie Spielberg, Special Assistant to the County Executive
Dale Tibbitts, Special Assistant to the County Executive
Lisa Austin, Office of the County Executive
Barry Hudson, Director, Public Information Office
David Platt, Department of Finance
Dennis Hetman, Department of Finance
Monika Coble, Office of Management and Budget
Naeem Mia, Office of Management and Budget
Chrissy Mireles, Office of Management and Budget
Phil Weeda, Office of Management and Budget

Fiscal Impact Statement
Bill 11-19, Administration – Internal Audit – Inspector General – Amendments

1. **Legislative Summary.**

   The 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 Office of the Inspector General (IG).

   The bill would require the IG to conduct a risk analysis of the County's internal controls and processes. Based upon the findings of the risk analysis, the IG would conduct a systematic, rotating, group-by-group preview of the internal accounting and contracting processes and controls used by each department and principal office in the Executive Branch. The bill will also require the IG to audit large County contracts funded in the operating budget.

2. **An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

   Office of Internal Audit:

   The Office of Internal Audit would be required to coordinate with the IG in the IG's conduct of a risk analysis of the County's controls and processes in accordance with Paragraphs 21-151(h)(2)(A) of the legislation. Internal Audit reported that it is unsure of how the IG would conduct such a risk analysis but acknowledges that this requirement will have an impact on its workload (albeit unknown until the IG's specific methodology is defined).

   The proposed legislation also requires the IG to conduct numerous other reviews and audits, including audits of County contracts with a value greater than $1 million and reviews of compliance by County departments and principal offices with Federal, State and County laws.

   Finally, Internal Audit stated that the scope and nature of such audits is not well-defined in the proposed legislation but could have significant workload and fiscal impacts on departments and principal offices that are subject to such audits and reviews.

   Office of the Inspector General:

   IG staff is currently reviewing the legislation and discussing amendments to clarify the scope and fiscal impact of the bill since there is the potential for a substantial fiscal and staffing impact. For example, there were approximately 299 contracts with an estimated or actual value of $1.0M+ in FY18. Assuming that all of the 299 contracts would undergo an audit review each year and with a current staffing complement of seven (7.0) FTEs, this provision alone would result in a *significant* workload impact to the IG's office.

As such, the IG has not yet developed cost estimates based on the legislation as introduced.

3. **Revenue and expenditure estimates covering at least the next six fiscal years.**

   Revenue and expenditure estimates over the next six fiscal years are difficult to project due to the unknown requirements and impacts of the bill.

4. **An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.**

   Not applicable.

5. **Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**

   Not applicable.

6. **An estimate of the staff time needed to implement the bill.**

   Not available at this time; both the Office of Internal Audit and IG are reviewing the legislation to determinate the impact on its staffing.

7. **An explanation of the staff time needed to implement this bill.**

   See #6.

8. **An explanation of how the addition of new staff responsibilities would affect other duties.**

   Not applicable.

9. **An estimate of costs when an additional appropriation is needed.**

   Not applicable.

10. **A description of any variable that could affect revenue and cost estimates.**

    Cost estimates are dependent on the audit methodology adopted by the IG to determine how many assessments and audits would be conducted each year.

11. **Ranges of revenue or expenditures that are uncertain or difficult to project.**

    Not applicable.

12. If a bill is likely to have no fiscal impact, why that is the case.

Not applicable.

13. Other fiscal impacts or comments.

The Internal Audit and IG staff are currently reviewing the legislation and developing amendments to clarify departments' roles and functions. It is anticipated that more detailed cost estimates and staffing impacts will be identified upon completion of this review.

14. The following contributed to and concurred with this analysis:

William Broglie, Internal Audit, Office of the County Executive

Michael Morgan, Office of the Inspector General

Pam Jones, Office of Procurement

Philip Weeda, Office of Management and Budget

Naeem Mia, Office of Management and Budget

Richard Madaleno

Richard S. Madaleno, Director
Office of Management and Budget

6-7-19
Date

Economic Impact Statement
Bill 11-19 Administration – Internal Audit – Inspector General Amendments

Background:

Bill 11-19 would:

(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 (IG); and
(4) generally amend the law governing the Office of Internal Audit and the Inspector General.

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.

1. **The sources of information, assumptions, and methodologies used.**

There were no assumptions or needed methodologies in the formulation of this economic impact statement.

2. **A description of any variable that could affect the economic impact estimates.**

The goal of the legislation is to help the Council improve its oversight of the Executive Branch and identify actions which would enhance the productivity, effectiveness, and efficiency of programs and operations of County government and independent County agencies. Variables that could affect economic impact estimates will depend on the IG's ultimate risk analysis conclusions that are to be determined.

3. **The Bill's positive or negative effect, if any on employment, spending, savings, investment, incomes, and property values in the County.**

The extent of the Bill's impact on employment, spending, savings, investment, incomes, and property values in the County cannot be quantified with specificity given the effects will depend on the volume, scope, and findings of the future risk analysis to be conducted by the IG.

4. **If a Bill is likely to have no economic impact, why is that the case?**

See number 3.

5. **The following contributed to or concurred with this analysis:**

David Platt, Rob Hagedoorn, and Dennis Hetman, Finance.

Michael J. Coveyou, Acting Director
Department of Finance

5/23/19
Date

Inspector General's Fiscal Impact Projection for Implementation of Bill 11-19

Assumption:
Contract value > $100k, 1,272 total contracts, commence 7/1/2015 or later
Annually review of the 1% highest risk contracts

	FTE	FY20	FY20 Full Year Assumption 1	FY20 Full Year Assumption 2
Current Cost Baseline	7	1,231,797	1,231,797	1,231,797
Increased program cost projected as result of proposed legislation				
(A) in coordination with the Office of Internal Audit. Conduct a risk analysis of the County's internal controls and processes;	0			
Assumption 1: financial risk analyses by contractor cost: $100,000 each	0		30,000	
Assumption 2: financial & mission risk analyses by contractor cost: $90,000 each Each analysis to be updated every 3-5 years.	0			90,000
(B) based on the risk analysis, conduct ~ 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;				
Assumption 1: 1 fiscal/compliance audit every six years for each of the 298 Programs within the 38 County Departments/Agencies	9		950,795	
Assumption 2: 1 fiscal/compliance audit every three years for each of the 298 Programs within the 38 County Departments/Agencies	18			1,821,266
(C) review and evaluate compliance with Federal, State, and County laws by each department and principal office in the Executive Branch;				
Assumption 1: Reviews of Compliance with applicable laws and regulations are conducted as part of the reviews of internal controls and processes or are investigated based on complaints. No incremental cost beyond those identified in item (B) above.	0		0	0
(D) [conduct an audit of] review each [completed] County contract [funded in the operating budget] with a contract value greater than [$1 million] $100,000 that [[is]] was: (i) [[currently active or (ii) was]]awarded less than 3 years before the beginning of the current fiscal year.				
Assumption 1: Provides staffing to support analytical review all invoice transactions associated with contracts entered into since July 1, 2015 and valued at $100,000 or more each year to identify the highest risk contracts, for audit of up to 1% of highest risk contracts annually. (Average 13 contracts):	7		716,818	
Assumption 2: Provides staffing to support analytical review all invoice transactions associated with contracts entered into since July 1, 2015 and valued at $100,000 or more each year to identify the highest risk contracts, for audit of up to 10% of highest risk contracts annually. (Average 127 contracts):	64			6,262,798
Total Program Costs		**1,231,797**	**2,929,410**	**9,405,861**
Program costs as an increase over baseline			1,697,613	8,174,064
Total FTE Count		**7**	**23**	**89**
FTE increase over baseline			16	82

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Inspector General's Fiscal Impact Projection for Implementation of Bill 11-19

Assumption:
Contract value > $100k, 1,272 total contracts, commence 7/1/2015 or later
Annually review of the 2% highest risk contracts

	FTE	FY20	FY20 Full Year Assumption 1	FY20 Full Year Assumption 2
Current Cost Baseline	7	1,231,797	1,231,797	1,231,797
Increased program cost projected as result of proposed legislation				
(A) in coordination with the Office of Internal Audit. Conduct a risk analysis of the County's internal controls and processes:	0			
Assumption 1: financial risk analyses by contractor cost: $100,000 each	0		30,000	
Assumption 2: financial & mission risk analyses by contractor cost: $90,000 each Each analysis to be updated every 3-5 years.	0			90,000
(B) based on the risk analysis. conduct ~ 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:				
Assumption 1: 1 fiscal/compliance audit every six years for each of the 298 Programs within the 38 County Departments/Agencies	9		950,795	
Assumption 2: 1 fiscal/compliance audit every three years for each of the 298 Programs within the 38 County Departments/Agencies	18			1,821,266
(C) review and evaluate compliance with Federal, State, and County laws by each department and principal office in the Executive Branch:				
Assumption 1: Reviews of Compliance with applicable laws and regulations are conducted as part of the reviews of internal controls and processes or are investigated based on complaints. No incremental cost beyond those identified in item (B) above.	0		0	0
(D) [conduct an audit of] review each [completed] County contract [funded in the operating budget] with a contract value greater than [$1 million] $100,000 that [[is]] was: (i) [[currently active or (ii) was]]awarded less than 3 years before the beginning of the current fiscal year.				
Assumption 1: Provides staffing to support analytical review all invoice transactions associated with contracts entered into since July 1, 2015 and valued at $100,000 or more each year to identify the highest risk contracts, for audit of up to 2% of highest risk contracts annually. (Average 25 contracts):	15		1,509,420	
Assumption 2: Provides staffing to support analytical review all invoice transactions associated with contracts entered into since July 1, 2015 and valued at $100,000 or more each year to identify the highest risk contracts, for audit of up to 10% of highest risk contracts annually. (Average 127 contracts):	64			6,262,798
Total Program Costs		**1,231,797**	**3,722,012**	**9,405,861**
Program costs as an increase over baseline			2,490,215	8,174,064
Total FTE Count		**7**	**31**	**89**
FTE increase over baseline			24	82

B

Inspector General's Fiscal Impact Projection for Implementation of Bill 11-19

Assumption:
Contract value > $1m, 488 total contracts, commence 7/1/2015 or later
Annually review of the 1% highest risk contracts

	FTE	FY20	FY20 Full Year Assumption 1	FY20 Full Year Assumption 2
Current Cost Baseline	7	1,231,797	1,231,797	1,231,797
Increased program cost projected as result of proposed legislation				
(A) in coordination with the Office of Internal Audit. Conduct a risk analysis of the County's internal controls and processes;	0			
Assumption 1: financial risk analyses by contractor cost: $100,000 each	0		30,000	
Assumption 2: financial & mission risk analyses by contractor cost: $90,000 each Each analysis to be updated every 3-5 years.	0			90,000
(B) based on the risk analysis, conduct ~ 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;				
Assumption 1: 1 fiscal/compliance audit every six years for each of the 298 Programs within the 38 County Departments/Agencies	9		950,795	
Assumption 2: 1 fiscal/compliance audit every three years for each of the 298 Programs within the 38 County Departments/Agencies	18			1,821,266
(C) review and evaluate compliance with Federal, State, and County laws by each department and principal office in the Executive Branch;				
Assumption 1: Reviews of Compliance with applicable laws and regulations are conducted as part of the reviews of internal controls and processes or are investigated based on complaints. No incremental cost beyond those identified in item (B) above.	0		0	0
(D) [conduct an audit of] review each [completed] County contract [funded in the operating budget] with a contract value greater than [[[]]$1 million[[] $100,000]] that [[is]] was; (i) [[currently active or (ii) was]]awarded less than 3 years before the beginning of the current fiscal year.				
Assumption 1: Provides staffing to support analytical review all invoice transactions associated with contracts entered into since July 1, 2015 and valued at $1,000,000 or more each year to identify the highest risk contracts, for audit of up to 1% of highest risk contracts annually. (Average 5 contracts):	4		426,661	
Assumption 2: Provides staffing to support analytical review all invoice transactions associated with contracts entered into since July 1, 2015 and valued at $1,000,000 or more each year to identify the highest risk contracts, for audit of up to 10% of highest risk contracts annually. (Average 49 contracts):	25			2,468,759
Total Program Costs		**1,231,797**	**2,639,253**	**5,611,822**
Program costs as an increase over baseline			1,407,456	4,380,025
Total FTE Count		**7**	**20**	**50**
FTE increase over baseline			13	43

C

Inspector General's Fiscal Impact Projection for Implementation of Bill 11-19

Assumption:
Contract value > $1m, 488 total contracts, commence 7/1/2015 or later
Annually review of the 2% highest risk contracts

	FTE	FY20	FY20 Full Year Assumption 1	FY20 Full Year Assumption 2
Current Cost Baseline	7	1,231,797	1,231,797	1,231,797
Increased program cost projected as result of proposed legislation				
(A) in coordination with the Office of Internal Audit. Conduct a risk analysis of the County's internal controls and processes;	0			
Assumption 1: financial risk analyses by contractor cost: $100,000 each	0		30,000	
Assumption 2: financial & mission risk analyses by contractor cost: $90,000 each Each analysis to be updated every 3-5 years.	0			90,000
(B) based on the risk analysis. conduct ~ 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;				
Assumption 1: 1 fiscal/compliance audit every six years for each of the 298 Programs within the 38 County Departments/Agencies	9		950,795	
Assumption 2: 1 fiscal/compliance audit every three years for each of the 298 Programs within the 38 County Departments/Agencies	18			1,821,266
(C) review and evaluate compliance with Federal, State, and County laws by each department and principal office in the Executive Branch;				
Assumption 1: Reviews of Compliance with applicable laws and regulations are conducted as part of the reviews of internal controls and processes or are investigated based on complaints. No incremental cost beyond those identified in item (B) above.	0		0	0
(D) [conduct an audit of] review each [completed] County contract [funded in the operating budget] with a contract value greater than [[]]$1 million[[] $100,000]] that [[is]] was: (i) [[currently active or (ii) was]]awarded less than 3 years before the beginning of the current fiscal year.				
Assumption 1: Provides staffing to support analytical review all invoice transactions associated with contracts entered into since July 1, 2015 and valued at $1,000,000 or more each year to identify the highest risk contracts, for audit of up to 2% of highest risk contracts annually. (Average 10 contracts):	6		638,949	
Assumption 2: Provides staffing to support analytical review all invoice transactions associated with contracts entered into since July 1, 2015 and valued at $1,000,000 or more each year to identify the highest risk contracts, for audit of up to 10% of highest risk contracts annually. (Average 49 contracts):	25			2,468,759
Total Program Costs		**1,231,797**	**2,851,541**	**5,611,822**
Program costs as an increase over baseline			1,619,744	4,380,025
Total FTE Count		**7**	**22**	**50**
FTE increase over baseline			15	43

D

Estimated Office of Inspector General Costs for Bill 11-19 Implementation

Assumption #1

Option	Cost	FTEs	FY20 Budget	FY20 FTEs	New OIG Budget	New OIG FTEs
1) Review 2% of the highest risk contracts > $100K	$2,490,215	24	$1,231,797	7	$3,722,012	31
2) Review 1% of the highest risk contracts > $100K	$1,697,613	16	$1,231,797	7	$2,929,410	23
4) Review 2% of the highest risk contracts > $1M	$1,619,744	15	$1,231,797	7	$2,851,541	22
3) Review 1% of the highest risk contracts > $1M	$1,407,456	13	$1,231,797	7	$2,639,253	20

Assumption #2

Option	Cost	FTEs	FY20 Budget	FY20 FTEs	New OIG Budget	New OIG FTEs
1) Review 1 or 2% of the highest risk contracts > $100K	$8,174,064	82	$1,231,797	7	$9,405,861	89
2) Review 1 or 2% of the highest risk contracts > $1M	$4,380,025	43	$1,231,797	7	$5,611,822	50

From:	Kassiri, Fariba
To:	Friedson, Andrew; Friedson"s Office, Councilmember
Cc:	Kleine, Andrew; Broglie, William; Limarzi, Megan; Tibbitts, Dale; Madaleno, Richard S.; Coveyou, Michael; Hansen, Marc P.; Shetty, Ash; Gibson, Cindy; Segal, Sonny; Drummer, Bob
Subject:	FW: Bill 11-19: Proposed Modifications to Bill
Date:	Wednesday, September 18, 2019 1:30:10 PM
Attachments:	Bill 11-19 Internal Audit.docx
Importance:	High

Councilmember Friedson,

As a follow-up to my June 18 email on this subject, and in preparation for the September 26 Government Operations Committee session on Bill 11-19, we met last week with the new Inspector General, Ms. Limarzi, who I understand has shared comments with you on the draft Bill. Based on our meeting with the IG, I have attached a modified set of proposed changes to the draft Bill for your consideration. There are three specific changes from the comments we provided on June 18 that I want to highlight:

- Section 2-25A(a)(1) – We have removed language concerning requiring consultation with the Inspector General on the conduct of the risk analysis at the suggestion of the IG, in order to preserve the IG's independence.
- Section 2-25A, Risk Governance Committee – We have removed the proposed inclusion in the draft Bill of a requirement to establish a Risk Governance Committee. While we see the value such a Committee brings to strengthening the County's risk and internal control oversight and management system, we do not see the need to codify the establishment of such a Committee in legislation. I would note that the CAO has already established the Committee, which held its first meeting earlier this month.
- Section 1-151 – We have removed all proposed modifications previously suggested to this Section concerning the IG's powers and duties, since we believe it appropriate for the current IG to provide her comments on the Bill language for this Section. We have an interest in the Bill language ultimately proposed, and may provide comments on proposed final Bill language at the appropriate time.

Please let me know if you have any questions or need additional information.

Please let me know if there are any changes to the initial version of this Bill as introduced earlier this year.

We look forward to our continuing work with you and the Committee on these matters.

Thank you.

Fariba Kassiri
Deputy Chief Administrative Officer
Montgomery County, Maryland
Offices of the County Executive
(240) 777-2512 (direct)

EXECUTIVE'S PROPOSED AMENDMENTS

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

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

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

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

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

(a) *Duties.* The Office must:

[(a)] (1) periodically conduct a risk analysis, to identify areas of risk in accountability systems;

[(b)] (2) based on the risk analysis conduct fiscal, contract, compliance, internal control, performance, and information system audits, and attestation engagements;

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

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

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

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

(b) *Annual work plan.* The Office must create an annual workplan subject to the approval of the Chief Administrative Officer. The workplan must include the risk analyses and audits required under subsection (a). The Chief Administrative Officer must submit the annual work plan to the Council for review and comment on or before each June 1.

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

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

28 (2) made by the Office in the previous fiscal year; and
29 (3) identified by the Office of Legislative Oversight for action by the
30 Executive in the previous fiscal year.
31
32 **2-151. Inspector General.**
33 * * *
34 (h) *Powers and Duties.*
35 (1) The Inspector General must attempt to identify actions which
36 would enhance the productivity, effectiveness, or efficiency of
37 programs and operations of County government and independent
38 County agencies. In developing recommendations, the Inspector
39 General may:
40 [(1)] (A) conduct investigations, budgetary analyses, and
41 financial, management, or performance audits and similar
42 reviews; and
43 [(2)] (B) seek assistance from any other government agency or
44 private party, or undertake any project jointly with any other
45 governmental agency or private body.
46 (2) The Inspector General must:
47 (A) in coordination with the Office of Internal Audit, conduct a
48 risk analysis of the County's internal controls and processes;
49 (B) based on the risk analysis, conduct a systematic rotating
50 group by group review of the County's internal accounting
51 and contracting processes and controls used by each
52 department and principal office in the Executive Branch;

53 (C) review and evaluate compliance with Federal, State, and
54 County laws by each department and principal office in the
55 Executive Branch; and
56 (D) conduct an audit of each active [[completed]] County
57 contract funded in the operating budget with a contract
58 value greater than $1 million.
59 In each project of the Office, the Inspector General should uphold the
60 objective of complying with applicable generally accepted government
61 auditing standards.
62 (i) *Work plan.* The Inspector General must direct the activities of the Office
63 of the Inspector General, subject to a work plan for the Inspector
64 General's 4-year term which the Inspector General must adopt within 6
65 months after being appointed. The Inspector General may amend the plan
66 during a term. The Inspector General must consider recommendations
67 and may seek suggestions for the work plan from the Executive, the
68 County Council, the head of each independent County agency,
69 employees of County government and independent County agencies,
70 employee organizations, and individual citizens. The work plan must
71 include the risk analysis, systematic review, and audits required in
72 subsection (h). The Inspector General must release the work plan to the
73 public but may treat any item or suggestion for an item as confidential
74 when advance public or agency knowledge of that item or suggestion
75 would frustrate or substantially impede the work of the Office.
76 * * *

OFFICE OF THE COUNTY ATTORNEY

Marc Elrich
County Executive

Marc P. Hansen
County Attorney

MEMORANDUM

TO: Andrew Kleine
Chief Administrative Officer

Fariba Kassiri
Deputy Chief Administrative Officer

Dale Tibbitts
Special Assistant to County Executive

FROM: Marc Hansen Marc Hansen
County Attorney

DATE: May 24, 2019

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

This bill would increase legislative oversight of the County's internal accounting and contracting processes by enlarging the duties of the executive branch's Office of Internal Audit and the legislative branch's Office of the Inspector General (OIG).

Bill 11-19 is legally sufficient. From the perspective of the Office of the County Attorney (OCA), however, one provision raises some concerns—the requirement that the Inspector General must "review and evaluate compliance with Federal, State, and County laws by each department and principal office in the Executive Branch."

There are approximately 22 departments and principal offices in the Executive Branch—ranging from large departments that implement numerous and complex programs, like Health and Human Services and Transportation, to small principal offices, like Consumer Protection and Office of the County Attorney (OCA). Each department and office in the Executive Branch has been assigned an attorney who acts as general counsel to that department. As a result, these attorneys become familiar with departmental procedures and practices, which reduces (although admittedly does not eliminate) the risk that the department does not comply with applicable laws. Given the potential cost of conducting a thorough audit of each department on a regular basis, it is unclear that the potential benefits that might accrue from these audits would be justified by the cost of conducting the audits. Consequently, the Council may wish to consider authorizing but

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not requiring the Inspector General to conduct a legal audit after the Inspector General has concluded that the risk of potential noncompliance with applicable laws justifies the cost of such an audit.

The legal audit provision raises another issue—when read literally the provision appears to give OIG duties that the Charter assigns to the Office of the County Attorney.

Charter § 213 provides: "The County Attorney shall be the chief legal officer of the County, conduct all the law business of the County, be a legal advisor to the Council, and be the legal advisor to the County Executive, all departments, and other instrumentalities of the County Government. The County Attorney shall represent the County in all actions in which the County is a party."

Charter § 213, however, should be read in conjunction with Charter § 108, which provides that the "Council . . . may provide by law for special legal counsel to assist, advise, or represent any office of the legislative branch in the exercise of its duties" See also Code § 2-151 (g) (3), which provides that (under certain conditions and with Council approval) the "Inspector General may employ and be represented by a special legal counsel who is not subject to the authority of the County Attorney, or may obtain legal services from persons outside the Office of the County Attorney, without the approval of the County Attorney."

As currently structured, the legal audit provision creates overlapping areas of responsibility, which in turn raises the possibility that the OIG's legal audit results could differ from the legal conclusions of OCA. Given that the OIG's reports are made public, the County would not be well served if conflicting legal conclusions emerge. This outcome could be minimized if the legal audit provision requires that OIG and OCA must coordinate on any legal audit.

For these reasons, OCA suggests that the Council consider amending the legal audit provision in Bill 11-19 as follows:

(2) The Inspector General [[must]] may:

(C) based on a risk analysis and in coordination with the County Attorney, review and evaluate compliance with Federal, State, and County laws by [[each]] a department [[and]] or principal office in the Executive Branch; and

Please let me know if you have any follow up questions regarding this matter.

cc: Edward Blansitt, Inspector General
Robert H. Drummer, Senior Legislative Attorney
William Broglie, Internal Audit Manager
Edward Lattner, Chief Division of Government Operations

2019 SEP 23 AM 9:05
RECEIVED
MONTGOMERY COUNTY
COUNCIL

OFFICE OF THE INSPECTOR GENERAL

MEMORANDUM

September 23, 2019

TO: Government Operations and Fiscal Policy Committee

FROM: Megan Davey Limarzi
Inspector General

SUBJECT: Fiscal Impact Projection for Implementation of Bill 11-19, Administration-Internal Audit- Inspector General- Amendments

The Office of the Inspector General (OIG) has provided Council staff with proposed changes to the language of Bill 11-19, Administration- Internal Audit- Inspector General- Amendments. As proposed, the bill would require the OIG to conduct systematic, risk based rotating group by group reviews of internal accounting and contracting processes and controls used by each department and principal office in the Executive Branch. These reviews must include auditing high risk contracts and agreements. This is specialized work that will require extensive planning and personnel to implement.

These newly required duties will be accomplished in addition to the current activities of the OIG which attempt to identify actions to enhance productivity, effectiveness, or efficiency of programs and operations of County government as well as detect and prevent fraud, waste and abuse. The OIG operates a fraud hotline and receives approximately 95 complaints a year. Staff evaluates those complaints and investigates them or refers them to the appropriate entity for appropriate action. The OIG believes that this bill's additional requirements that OIG staff conduct systematic reviews and audits is not only appropriate, but could ultimately aid in the Council's oversight of County programs, improve the efficiency of the Executive's ability to implement those programs, and ultimately provide cost savings to the County as a whole.

It is critical to note that at this time the OIG is not resourced to undertake the work contemplated by Bill 11-19. Additional funding and staffing will be required; the OIG is committed to a thoughtful, deliberate execution of such a process. Furthermore, the OIG must increase its language capacity so as to appropriately serve and represent the citizens of the County. The expenditure estimates presented here are based upon a formula that considers the timing, planning, and work needed for such reviews and audits. Appropriate and reasonable timetables will be instrumental in completing these audits so as to provide timely, accurate, and actionable information. The OIG proposes a rolling build out of a newly created Audit Division to undertake these audits and reviews.

Attached please find a breakdown of the projected costs and needs of the OIG to implement the duties that will be required by this bill. These projections assume acceptance by the Committee of the proposed, revised language. The OIG's proposed amendments reduce the projected costs of implementing the bill from those previously circulated by my predecessor, which anticipated a need for upwards of 50 FTEs. Attached, we propose an ultimate increase of 19 FTEs over our current levels. If, however, the bill ultimately does not contain the OIG's proposed amendments, the future fiscal impact would likely be significantly higher.

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email: megan.limarzi@montgomerycountymd.gov

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

Scenario: Risk-based rotating audits	FY19	FY20	FY21	FY22	FY23	FY24
Current Baseline - 7 FTE	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		79,096 a	162,939	167,827	172,862	178,048
Aministrative Services Coordinator - Grade 28						
Cumulative Number added over life of projection		1	1	1	1	1
Projected Personnel Costs		123,420 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		123,420 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		56,210 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		44,434 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
Note: All salaries have been netted up to include benefits at rate equivalent to current IG staff.						
Total - Risk-based rotating audits cost	1,140,590	1,633,729	2,254,543	3,030,414	3,468,874	3,620,839
Cost increase over baseline	**0**	**401,932**	**1,022,746**	**1,798,617**	**2,237,077**	**2,389,042**
Total - Risk-based rotating audits FTE	7	12	17	23	26	26
Cummulative FTE increase over baseline	**0**	**5**	**10**	**16**	**19**	**19**

Notes:

a Projected Personnel Costs include salaries and benefits increasing at 3% annually, and represent 1/2 year expense for initial year of hire.

b Office furniture for staff addition in FY20 and FY21 are incurred in FY20, and in FY22 for FY22, FY23, & FY24 staff additions.

c 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

d 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 accomodate all remaing 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.

e 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 .

IG Amendment 1

Amend lines 42-54 as follows:

(2) The Inspector General must:

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

(B) based on the risk analysis,]] conduct a systematic risk-based 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; and

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

[[(D)]] (B) conduct [[an audit]] audits of [[each completed]] high risk County [[contract funded in the operating budget with a contract value greater than $1 million]] contracts and agreements.

(3) The Inspector General may review or audit any County contract or agreement if the Inspector General determines that review or audit is in the public interest. The required duties described in paragraph (2) must not be construed to limit the powers and duties of the Inspector General established in paragraph (1).