

# Montgomery County Taxpayers League

Advocate for accountable, cost-effective county government



## Synopsis of Taxpayers League Oct meeting with County Inspector General

*The Montgomery County Taxpayers League welcomed Megan Davey Lamarzi, the county's new Inspector General to its October monthly meeting. The Office of Inspector General (OIG) plays a very important oversight role, charged with preventing waste and abuse, promoting financial integrity, and reviewing effectiveness of operations. We thank Ms. Limarzi for visiting with us and answering our questions.*

### Overview

Ms. Limarzi's visit comes at a time when ***the OIG is significantly underfunded and understaffed***; enough to seriously compromise its ability to perform its crucial function. The ease with which the recent embezzlement of seven million dollars from the county's Dept. of Economic Development occurred and remained undetected put a light on the shortcomings of procurement oversight and internal controls in the County. ***While we don't know the extent of malfeasance and self-dealing occurring in the County, we do know that internal controls, including monitoring, are insufficient.***

At the Taxpayer's monthly meeting, Ms. Limarzi agreed with this assessment, noting that the combined budget for the OIG and county's Internal Audit Dept. was only \$2 million; this to oversee a county budget of \$5.8B. She described the manner in which the recent embezzlement occurred, noting that procurements were being "rubber stamped" and that it was a "miracle the embezzler was even caught." Ms. Limarzi also agreed that the number and composition of the OIG staff (seven investigators and ZERO certified public accountants) is insufficient for performing the proper function of the IG. ***Ms. Limarzi stated that her first priority is to increase the OIG budget and hire additional certified public accountants.***

### Need For An External Auditor

The Taxpayers League believes that in view of the above long-running deficiencies, ***an external auditor should be brought in to conduct an initial independent audit of internal controls and to render an opinion of their effectiveness in financial reporting.*** Thereafter, the county should build its internal staff experience to eliminate this need. Ms. Lamarzi indicated she was not certain this was necessary. The Taxpayers League expects to continue to advocate for this. Eventually, the Taxpayers League believes that the OIG should task itself to periodically render such opinion in the future, as is done in Parks and Planning, and will continue to advocate for this.

### What Should Be the OIG's Focus

***Ms. Limarzi emphasized that OIG should focus on high risk areas where controls are most likely to be insufficient or side-stepped by managers.*** She cited small procurements and contracts (under 10 thousand dollars), contracts that automatically rollover over year to year, and expenses tied to MOUs and other informal agreements as examples. In fact, Ms. Limarzi suggested that one reason she asked the County Council to amend Bill 11-19, was because some features were too prescriptive and that the IOG needs to more freedom to decide where to focus its monitoring and investigative efforts. The Taxpayers League agrees with many of her areas of emphasis and her criticism of some of the overly prescriptive aspects of Bill 11-19.

### Other Taxpayer League Recommendations Based On the Meeting With Ms. Limarzi.

The Taxpayers League further recommends:

- High risk internal controls and contract testing should begin as soon as possible, to include independent testing of newly adopted procurement controls
- Outside auditors be engaged to conduct a more general, comprehensive review of the county's internal control framework in the first year, focused on "material areas of weakness," and to provide a template for future controls testing.