



HOWARD COUNTY OFFICE OF COUNTY EXECUTIVE

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MEMORANDUM

To: Members of the County Council
From: Calvin Ball, County Executive
Re: **HCPSS School Audit Scope Refinement Update**

Dear Members of the County Council:

As you are aware, CR-108 was filed on June 20, 2019 to request that the Maryland State Department of Education (MSDE) contract to conduct a performance audit of the Howard County Public School System (HCPSS). The resolution was filed in the interest of validating the existing fiscal management practices of HCPSS, improving and identifying cost efficiencies within existing processes, and furthering our collective efforts toward transparency in the fiscal management and operations of our government.

Since the filing of CR-108 on June 20, 2019, key staff from my office and HCPSS have been engaged in a collaborative, ongoing dialogue on how best to refine the scope of the proposed audit. The purpose of these ongoing discussions is to establish a shared scope anchored on key issues through consensus, narrowly targeted to yield meaningful recommendations that validate or improve our budgeting practices moving into the future.

Provided below is a narrowed scope for the MSDE performance audit that has been developed jointly by my administration and HCPSS. The below scope is subject to change and is being shared with each of you at an advanced stage of the process in the interests of being transparent and inclusive of your input:

1. **Health and Dental Fund**

- a. Provide a comparative analysis to peer jurisdictions based on program design, benefits and cost sharing agreements.
 - i. The audit should compare current practices to industry standards and recommend corrective action or improvements where applicable.
- b. Assess the financial and legal implications of carrying a historical deficit in the Health and Dental Fund.
 - i. The audit should recommend corrective action or improvements if warranted based on the financial or legal implications of carrying a historical deficit.

2. **Budgeting and Actual Expenditure Variance**

- a. Review three (3) years of General Fund categorical variances between budgeted and actual spending, provide a detailed explanation of variance, and perform a root cause analysis where variance levels are deemed significant based on industry standards.
 - i. The audit should identify corrective action or improvements where variance levels reveal issues related to processes or projection methodology.

3. **Personnel Cost Development**

- a. Provide documentation related to preparation of HCPSS salary and benefit projections. Include assumptions of turnover savings, leave payouts, unfunded vacancies, new positions, partial-year funding, etc.
 - i. The audit should identify corrective action or improvements where issues exist related to projection methodology and assumptions.
- b. Provide a three-year history of staff turnover in each of the categorical expenditure areas and compare with budgeted turnover savings.
 - i. The audit should identify corrective action or improvements related to turnover savings budgeting practices where appropriate.

4. **Supplemental Income/Non-Salary Benefits**

- a. Provide a comparative analysis to peer jurisdictions evaluating both the scope/inventory and amount of supplemental income sources offered by HCPSS (i.e. stipends for cell phones, travel expenses and vehicular mileage payments).
 - i. The audit should compare current practices to industry standards and recommend corrective action or improvements where applicable.

As referenced above, feedback and input are welcomed as my administration and HCPSS work toward finalizing a mutually agreed upon performance audit scope that informs our budgeting processes and practices for years to come. The draft scope provided above has been narrowed through collective discussion and is mindful of potential expenses associated with a performance audit, which our administration is committed to covering in the interest of generating long-term savings and process improvements. In the interest of setting a narrow and targeted scope, HCPSS has agreed to provide the information outlined in the attached appendix to our administration as well. Our intent is to cement our shared understanding of the performance audit scope through an amendment to CR-108. Thank you for your attention to this matter.



Calvin Ball
County Executive

Appendix A – Information to be Shared by HCPSS Outside of Scope of Performance Audit

1. Procurement

- a. Sole Source Contracting: Update on findings of the October 2016 audit by the Office of Legislative Audits.
 - i. Number, dollar value and purpose of sole source contracts issued over the last three years.
 - ii. Justification and approval process for each sole source contract.
- b. Legal Fees: Provide three-year history of legal fees paid.
- c. Special Education Contracting: Provide a three-year breakdown of contract services spending under special education
 - i. Provide an explanation of the large dollar and/or fastest growing expenditure components such as temp worker contracts.

2. Health and Dental Fund: Update on prior audit findings on the Health and Dental Fund.

- a. HCPSS did not ensure the propriety of certain health claim payments and recommendation to establish procedures to verify amounts paid.
- b. Lack of internal control over transaction approval, which could allow for potential waste and abuse of funds and recommendation to improve internal controls (Forensic Review: March, 2019).

3. Major Financial Commitments Without County Approval

- a. Identify major financial commitments made by HCPSS in the past three years without prior discussion/commitment from the County. Include cost estimate for the recently announced plans to significantly increase the base salary for starting teachers.

4. Fleet Management

- a. Total number of vehicles/equipment by age and type.
- b. Total average annual usage of vehicles/equipment (mileage, hours operated, etc.).
- c. Documentation on vehicle/equipment utilization requirements.
- d. Documentation on vehicle replacement program and funding mechanism - ongoing capitalization fee or annual budget request?
- e. Provide a three-year history of fuel prices and consumption.
- f. Square footage of the Ridge Road Fleet facility and a breakdown of space used for repairs vs storage.