

County Council of Howard County, Maryland

2019 Legislative Session

Legislative day # 9

RESOLUTION NO. 108 - 2019

Introduced by the Chairperson at the request of the County Executive

A **RESOLUTION** calling on the Maryland State Department of Education to contract for a performance audit of the Howard County Public School System and specifying the issues requested to be studied.

Introduced and read first time on July 1, 2019.

By order

Jessica Feldmark
Jessica Feldmark, Administrator to the County Council

Read for a second time and a public hearing held on July 15, 2019.

By order

Jessica Feldmark
Jessica Feldmark, Administrator to the County Council

This Resolution was read the third time and was Adopted , Adopted with amendments , Failed , Withdrawn by the County Council

on July 29, 2019.

Certified by

Jessica Feldmark
Jessica Feldmark, Administrator to the County Council

Approved by the County Executive on August 5, 2019.

Calvin Ball
Calvin Ball, County Executive

NOTE: [[text in brackets]] indicates deletions from existing language; TEXT IN ALL CAPITALS indicates additions to existing language. Strike-out indicates material deleted by amendment; Underlining indicates material added by amendment.

1 **WHEREAS**, Section 5-110 of the Education Article of the Maryland Code provides that the
2 County governing body may request that the Maryland State Department of Education contract for a
3 performance audit of the county public school system; and
4

5 **WHEREAS**, the County Council ~~believes~~ and County Executive believe that an assessment of
6 the practices of the Howard County Public School System is needed to determine whether the School
7 System is operating economically and efficiently and to determine whether corrective actions for
8 improving its performance are appropriate.
9

10 **NOW, THEREFORE, BE IT RESOLVED** by the County Council of Howard County,
11 Maryland this 29th day of July, 2019, that the County Council requests that the
12 Maryland State Department of Education contract for a performance audit of the Howard County
13 Public School System to study the following issues as addressed in the Memorandum dated July 11,
14 2019 from the County Executive to the Members of the County Council:

- 15 1. — ~~Legal fees and payments to and the use of outside counsel;~~
- 16 2. — ~~Procurement process;~~
- 17 3. — ~~Vendor payments/invoices;~~
- 18 4. — ~~Administration staffing levels and salaries;~~
- 19 5. — ~~Fund balance levels; and~~
- 20 6. — ~~Outsourced activities.~~

21 1. Health and Dental Fund

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

30 2. Budgeting and Actual Expenditure Variance

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

8 3. Personnel Cost Development

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

18 4. Supplemental Income/Non-Salary Benefits

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

24 5. Procurement

- 25 a. Sole Source Contracting: Provide an update on findings of the October 2016 audit by the
26 Office of Legislative Audits, to include the following:
27 i. Number, dollar value and purpose of sole source contracts issued over the last three
28 years.
29 ii. Justification and approval process for each sole source contract.
30 iii. Comparative analysis to peer jurisdictions, compare current practice to industry standards
31 and best practices and recommend corrective action or improvements where applicable.

1 b. Special Education Contracting: Provide a three-year breakdown of contract services
2 spending under special education, to include an explanation and analysis of significant
3 changes.

4
5 **AND BE IT FURTHER RESOLVED** that the amount for the performance audit shall be
6 established at no more than \$250,000 and will be paid for solely by Howard County
7 Government.

8
9 **AND BE IT FURTHER RESOLVED** that the Howard County Public School System will
10 provide additional relevant information outside the scope of the performance audit as outlined
11 in a Memorandum of Understanding (MOU).

12
13 **AND BE IT FURTHER RESOLVED** that the Administrator to the County Council shall send
14 a copy of this Resolution to the:

15 Maryland State Department of Education
16 200 West Baltimore Street
17 Baltimore, MD 21201

Amendment 1 to Council Resolution No. 108-2019

BY: The Chairperson at the request
of the County Executive

Legislative Day 10
Date: July 29, 2019

Amendment No. 1

(This amendment alters the issues included as part of the audit, adds a maximum cost for the audit, and provides that certain items will be included in a Memorandum of Understanding.)

1 On page 1, in line 5, strike “believes” and substitute “and County Executive believe”.

2

3 On page 1, in line 13, after “issues” insert “as addressed in the Memorandum dated July 11, 2019
4 from the County Executive to the Members of the County Council”.

5

6 On page 1, strike lines 14 through 19, inclusive and in their entirety, and substitute:

7

“1. Health and Dental Fund

8

a. Provide a comparative analysis to peer jurisdictions based on program design,
9 benefits and cost sharing agreements.

10

i. The audit shall compare current practices to industry standards and best practices
11 and recommend corrective action or improvements where applicable.

11

12

b. Assess the financial and legal implications of carrying a historical deficit in the
13 Health and Dental Fund.

13

14

i. The audit shall recommend corrective action or improvements if warranted based
15 on the financial or legal implications of carrying a historical deficit.

15

16

2. Budgeting and Actual Expenditure Variance

17

a. Review three (3) years of General Fund categorical and programmatic variances
18 between budgeted and actual spending, provide a detailed explanation of variance,
19 and perform a root cause analysis where variance levels are deemed significant based
20 on industry standards.

19

20

21

i. The audit shall identify corrective action or improvements where variance levels
22 reveal issues related to processes or projection methodology.

22

1 ii. The audit shall analyze categorical variances to the programmatic level where
2 variance levels are deemed significant based on industry standards.

3 3. Personnel Cost Development

4 a. Provide documentation related to preparation of HCPSS salary and benefit
5 projections. Include assumptions of turnover savings, leave payouts, unfunded
6 vacancies, new positions, partial-year funding, etc.

7 i. The audit shall identify corrective action or improvements where issues exist
8 related to projection methodology and assumptions.

9 b. Provide a three-year history of staff turnover in each of the categorical expenditure
10 areas and compare with budgeted turnover savings.

11 i. The audit shall identify corrective action or improvements related to turnover
12 savings budgeting practices where appropriate.

13 4. Supplemental Income/Non-Salary Benefits

14 a. Provide a comparative analysis to peer jurisdictions evaluating both the
15 scope/inventory and amount of supplemental income sources offered by HCPSS (e.g.,
16 stipends for cell phones, travel expenses and vehicular mileage payments).

17 i. The audit shall compare current practices to industry standards and recommend
18 corrective action or improvements where applicable.

19 5. Procurement

20 a. Sole Source Contracting: Provide an update on findings of the October 2016 audit by
21 the Office of Legislative Audits, to include the following:

22 i. Number, dollar value and purpose of sole source contracts issued over the last
23 three years.

24 ii. Justification and approval process for each sole source contract.

25 iii. Comparative analysis to peer jurisdictions, compare current practice to industry
26 standards and best practices and recommend corrective action or improvements
27 where applicable.

28 b. Special Education Contracting: Provide a three-year breakdown of contract services
29 spending under special education, to include an explanation and analysis of
30 significant changes.

1 AND BE IT FURTHER RESOLVED that the amount for the performance audit shall
2 be established at no more than \$250,000 and will be paid for solely by Howard County
3 Government.

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5 AND BE IT FURTHER RESOLVED that the Howard County Public School System
6 will provide additional relevant information outside the scope of the performance audit as
7 outlined in a Memorandum of Understanding (MOU).”.

ADOPTED 7/29/19
FAILED _____
SIGNATURE: Jessica Feldman

County Council of Howard County, Maryland

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By order _____
Jessica Feldmark, Administrator to the County Council

Read for a second time and a public hearing held on _____, 2019.

By order _____
Jessica Feldmark, Administrator to the County Council

This Resolution was read the third time and was Adopted ____, Adopted with amendments ____, Failed ____, Withdrawn ____ by the County Council on _____, 2019.

Certified by _____
Jessica Feldmark, Administrator to the County Council

Approved by the County Executive on _____, 2019.

Calvin Ball, County Executive

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 - 15 2. Procurement process;
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 - 18 5. Fund balance levels; and
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- 20

21 **AND BE IT FURTHER RESOLVED** that the Administrator to the County Council shall send
22 a copy of this Resolution to the:

23 Maryland State Department of Education
24 200 West Baltimore Street
25 Baltimore, MD 21201



HOWARD COUNTY OFFICE OF COUNTY EXECUTIVE

3430 Courthouse Drive ■ Ellicott City, Maryland 21043 ■ 410-313-2013 Voice/Relay

Calvin Ball
Howard County Executive
cball@howardcountymd.gov

www.howardcountymd.gov
FAX 410-313-3051

July 11, 2019

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.