

Department of Legislative Services  
Maryland General Assembly  
2019 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 194 (Prince George's County Delegation)  
Ways and Means

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Prince George's County Public Schools - Office of Accountability and  
Compliance - Establishment  
PG 508-19

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This bill establishes the Office of Accountability and Compliance (OAC) in the Prince George's County Public School System (PGCPS). The bill specifies the functions, powers, and duties of the Accountability and Compliance Officer and the procedures for appointment, including qualifications and the term of office. The bill also transfers the Office of Internal Audit within the school system to OAC upon the effective date of the bill. **The bill takes effect July 1, 2019.**

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Fiscal Summary

**State Effect:** None.

**Local Effect:** Prince George's County expenditures increase by approximately \$461,300 annually beginning in FY 2020. Revenues are not affected. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

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Analysis

**Bill Summary:** OAC is required to (1) assist the county council and the local school system by providing independent evaluation and recommendations regarding opportunities to preserve the local school system's reputation and improve the effectiveness, productivity, or efficiency of school system programs, policies, practices, and operations; (2) ensure public accountability by preventing, investigating, and reporting instances of fraud, waste, and abuse of school system property or funds; (3) examine, evaluate, and

report on the adequacy and effectiveness of the systems of internal controls and their related accounting, financial, technology, and operational policies; and (4) report noncompliance with and propose ways to improve employee compliance with applicable law, policy, and ethical standards of conduct.

In developing recommendations, OAC is authorized to (1) conduct administrative investigations, budgetary analyses, and financial, management, or performance audits and similar reviews; (2) provide management advisories; and (3) utilize the assistance from any other government agency or private party to complete a project initiated by the office.

OAC must also coordinate with the school system, taking into consideration requests from specified members of the community, to develop a written work plan and to establish periodic goals and priorities for OAC based on an assessment of relative risks.

All employees who are transferred to OAC must be transferred without any diminution of their rights, including collective bargaining rights, benefits, or employment or retirement status.

**Current Law/Background:** The functions, powers, and duties of the Accountability and Compliance Officer established by the bill are similar to those of an Inspector General (IG). IGs differ from internal audit offices in that they are typically independent of the local school board and, therefore, have more authority to investigate without external pressures or influence. Generally, IGs perform financial and performance audits and investigations to improve operations and identify/deter fraud and waste. A [2015 report](#) by Montgomery County's Office of Legislative Oversight determined that no local school systems in the State had IGs. Nine local school systems in the State, including Carroll, Howard, Montgomery, and Prince George's counties and Baltimore City, have internal audit offices. The report found that 6 of the 20 largest school systems in the country, plus Detroit, had IGs at an annual cost ranging from \$400,000 to over \$7.1 million primarily depending on the number of employees. Montgomery County's Office of the Inspector General, covering all county offices, has an annual budget of approximately \$1.1 million.

The Office of Internal Audit within the Prince George's County school system reports directly to the county board of education. The responsibilities of the office are:

- to furnish the board of education with analysis, recommendations, advisory services, and information concerning school system activities;
- to evaluate school system control procedures for ensuring that assets are protected from waste, loss, and abuse;

- to facilitate and support any audit processes and assist external auditors to the extent required by the board and/or federal, State, or local authorities;
- to conduct audits and investigations requested by the board and/or the Chief Executive Officer of the school system, as authorized by the board.

The office has an annual budget of approximately \$1.86 million and 15 employees.

In recent years, PGCPS has been criticized for two major scandals. First, approximately 850 employees (including 400 teachers) were placed on leave during the 2016-2017 school year for alleged misconduct related to abuse and neglect of students. Second, after complaints related to grade manipulation for the purpose of increasing graduation rates, the Chief Executive Officer of the Prince George's County Public School System requested that the Maryland State Department of Education investigate the claims.

An [audit](#) by an independent outside auditor categorized its findings into four major categories. The report found that (1) the school system's governance structure has performance gaps; (2) staff does not consistently adhere to policies and procedures related to grading and graduation certification; (3) school-level recordkeeping related to grading and graduation certification is poor; and (4) irregularities in grade changes were identified.

**Local Expenditures:** PGCPS advises that, although there are no costs associated with the transfer of existing employees to the new OAC, the school system will still incur expenditures for the new Accountability and Compliance Officer position required by the bill as well as two other positions related to the new responsibilities established by the bill. The new positions include (1) the Accountability and Compliance Officer; (2) a financial administrator; and (3) a financial analyst.

School system expenditures increase by approximately \$461,325 beginning in fiscal 2020 for expenses related to the new positions. This amount includes \$414,864 for salary costs and \$46,461 for fringe and retirement benefits as shown in **Exhibit 1**.

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**Exhibit 1**  
**Estimated Salary Amount for Additional Positions**  
**Under House Bill 194**

Accountability and Compliance Officer	\$175,826
Financial Administrator	123,868
Financial Analyst	115,170
Fringe Benefits	<u>46,461</u>
<b>Total Increase</b>	<b>\$461,325</b>

Source: Prince George's County

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**Additional Information**

**Prior Introductions:** HB 184 of 2018, a similar bill, passed the House and received a hearing in the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken.

**Cross File:** None.

**Information Source(s):** Prince George's County; Maryland State Department of Education; Prince George's County Public Schools; Department of Legislative Services - Office of Legislative Audits

**Fiscal Note History:** First Reader - February 5, 2019  
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