

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1084 (Prince George's County Delegation)
Ways and Means

**Prince George's County - Public Schools - Reporting on Financial Management
Practice Audits
PG 423-16**

This bill requires the Chief Executive Officer (CEO) of the Prince George's County public school system to report to the Prince George's County Delegation of the General Assembly (in collaboration with the county board of education and at the discretion of the county delegation of the General Assembly) on specified issues related to the most recently conducted financial management practices audit of the local school system.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: None.

Local Effect: The Prince George's County public school system can report the required information using existing resources.

Small Business Effect: None.

Analysis

Bill Summary: Issues to be covered in the required report include:

- which audit findings the local school system agrees with, and disagrees with, and the basis for agreement/disagreement;

- additional steps the CEO and the county board of education have taken to ensure effective and efficient use of the school system's financial resources;
- any barriers to implementation of accounting control methods or to the protection of the financial resources of the local school system; and
- the status of each management response submitted to the Office of Legislative Audits (OLA) in response to audit findings, including which issues have been resolved and which issues require further management responses and intervention.

Current Law: OLA must, at least once every six years, conduct an audit of each local school system to evaluate the effectiveness and efficiency of the financial management practices of the local school system. The school system audits are in addition to fiscal/compliance audits of units of State government and other required audits and reviews that OLA must conduct.

The school system audits may be performed concurrently or separately. OLA must provide information regarding the audit process to the local school system before the audit is conducted. The Legislative Auditor must review each local school system's response to OLA's audit and advise the local school system of the results of the review. The Legislative Auditor must advise the Joint Audit Committee when a local school system:

- does not make a response to a recommendation;
- does not indicate action to be taken in response to a recommendation;
- has not taken the action the local school system indicated in its response to a recommendation; or
- responds in a manner that is not considered appropriate to carry out the recommendation.

The Executive Director of the Department of Legislative Services or the Joint Audit Committee may direct the Legislative Auditor to undertake a review to determine the extent to which action has been taken by a local school system to implement a report recommendation. With respect to findings and recommendations made to a local school system, the Joint Audit Committee may make recommendations to the Governor, State Superintendent of Schools, local school governing board, or local school officials after reviewing a local school system's response to a recommended action.

Background: Chapter 148 of 2004 required OLA to audit each local school system once during the six-year period between July 1, 2004, and June 30, 2010. Chapters 58 and 59 of 2010 repealed the specific date requirement and instead required OLA to audit each local school system at least once every six years.

OLA has produced a [financial management practices audit report for Prince George's County Public Schools](#) dated February 2014. The report contains 23 findings, as well as both the school system's response to the findings and the auditor's comments on the response. Among findings of the report are that the school system:

- needs to improve internal controls and accountability in certain financial areas;
- should implement certain steps to improve cost-effectiveness, including steps to enhance bus transportation efficiency;
- was unable to provide key documentation related to energy performance contracts to two vendors; and
- needs to establish or modify certain policies and ensure compliance with existing policies.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, Department Legislative Services - Office of Legislative Audits, Department of Legislative Services

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kb/hlb

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