

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 360
Appropriations

(Delegate Conaway)

Baltimore City Public School System - Audit Exemption - Prohibition

This bill makes the Baltimore City Public School System (BCPSS) ineligible to request an exemption from a required audit of the school system performed by the Office of Legislative Audits (OLA) once every six years. In addition, the bill requires OLA to begin an audit of BCPSS as soon as possible.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: None. OLA has already commenced a third audit of BCPSS.

Local Effect: None.

Small Business Effect: None.

Analysis

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, the local school governing board, or local school officials after reviewing a local school system's response to a recommended action.

The Office of Legislative Audits Access to Local School System Records in the Event of a Deficit

The employees or authorized representatives of OLA must have access to and may inspect the records, including those that are confidential by law, of any local school system that has a deficit or structural deficit in accordance with a request for information.

Exemption Procedures

A local school system is exempt from the audit requirement if the county governing body, the county board of education, and the county delegation to the Maryland General Assembly each submit a letter to the Joint Audit Committee requesting an exemption by November 1 of the last year of the six-year audit cycle for local school systems. However, a local school system may not be exempt for two consecutive six-year audit cycles. Further, the Joint Audit Committee may direct OLA to conduct an audit of a local school system at any time.

Background: Chapter 148 of 2004 required OLA to audit each local school system once during the 6-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 6 years. Through fiscal 2016, each school system was audited twice. However, Chapter 261 of 2016 allowed local school systems to obtain an

exemption from one audit (*i.e.*, an exemption from two consecutive audits), which, if granted, results in a total of 12 years between audits.

BCPSS was first audited in 2006 and again in 2012. OLA advises that it commenced a third audit of BCPSS in January 2017. In the 2012 audit, OLA made 26 findings, 8 of which were repeat findings that were first made in the 2006 audit. The second audit disclosed that BCPSS had satisfactorily addressed a number of prior audit findings; nevertheless, OLA identified opportunities for BCPSS to improve internal controls, to adopt more cost-effective processes, and to enhance policy direction.

Because the third audit has already begun, BCPSS is not eligible for an audit exemption until fiscal 2023, under current law.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City; Department Legislative Services (Office of Legislative Audits); Department of Legislative Services

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fn/hlb

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