

**Department of Legislative Services**  
Maryland General Assembly  
2018 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

House Bill 184

(Prince George's County Delegation)

Ways and Means

Education, Health, and Environmental Affairs

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**Prince George's County Public Schools - Office of Inspector General -  
Establishment  
PG 508-18**

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This bill establishes the Office of the Inspector General (OIG) in the Prince George's County Public School System. The bill specifies the functions, powers, and duties of the Inspector General 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 OIG upon the effective date of the bill. **The bill takes effect July 1, 2018.**

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Prince George's County expenditures increase by approximately \$190,000 annually beginning in FY 2019. 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:** OIG 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, OIG 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.

OIG 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 OIG based on an assessment of relative risks.

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

**Current Law/Background:** Inspectors General (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 OIGs at an annual cost ranging from \$400,000 to over \$7.1 million primarily depending on the number of employees. Montgomery County's OIG covering all county offices has an annual budget of approximately \$1.0 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 \$1.8 million and 15 employees.

In recent years, the Prince George's County Public School System 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:** Prince George's County advises that, although there are no costs associated with the transfer of existing employees to the new OIG, the school system will still incur expenditures for the new Inspector General position required by the bill. Therefore, school system expenditures increase by approximately \$190,000 beginning in fiscal 2019 for expenses related to the new position. This amount includes \$141,000 for salary costs and \$49,000 for fringe and retirement benefits.

#### **Additional Information**

**Prior Introductions:** None.

Cross File: None.

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

**Fiscal Note History:** First Reader - February 6, 2018  
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