

MINUTES OF THE BOARD OF EDUCATION OF HOWARD COUNTY AUDIT COMMITTEE

September 27, 2006

The Audit Committee of the Board of Education of Howard County met in public on Wednesday, September 27, 2006, at 11:00 a.m., in Room B37, Applications and Research Laboratory, located at 10920 Route 108, Ellicott City, Maryland. The following were present:

Patricia S. Gordon, Chair, BOE Audit Committee
Diane B. Mikulis, BOE Audit Committee Member
Raymond H. Brown, Chief Operating Officer
John J. Connors, Internal Auditor
Susan A. Shown, Recording Secretary

Ms. Gordon called the meeting to order at 11:00 a.m., and on motion by Mrs. Mikulis, the agenda was approved.

Status of School Audits

Mr. Connors reported that the audit for Mayfield Woods MS has been completed and the report has been issued. The auditor has received a response from the Administrative Director, and the school has addressed all reported conditions.

Draft reports for Oakland Mills HS and Elkridge ES have been delivered for the principals' responses. Reports will be issued for both schools after the principals' comments have been considered and addressed.

The next schools to be audited are Murray Hill MS, Mount View MS, and Deep Run ES. Preliminary discussions with the schools have been completed.

Mr. Connors stated that directives for all employees would be developed and issued when systemic changes need to be implemented.

Best Practices/Needs Improvement

Mr. Connors gave examples of best practices that were noted at the schools he has visited.

- Oakland Mills HS – Bookkeeper developed a comprehensive procedures manual for use by school staff for collecting, tracking, submitting, and depositing monies collected by the school.
- Mayfield Woods MS School Store (student operated) – Excellent procedures in place for accounting of sales, inventory, ordering, etc.

Mr. Brown noted that staff would investigate the possibility of requesting legislative action to exempt school stores from having to collect and pay sales tax since the amounts are relatively insignificant and the administrative requirements are staff intensive.

Mr. Connors noted that generally schools need to ensure that monies collected are deposited in the bank in a timely manner. Funds are secured, but the money should be deposited in the bank as soon as possible and not kept at the school. The requirements are specified in the Finance Department's Manual for School Funds.

Audit Plan (Attachment A)

Mr. Connors stated that the audit plan has been revised to reflect the increased amount of time needed for each school audit. The audit schedule has been prioritized and defers some program audits in order to complete one-third of the school audits. He noted that two to three additional audit staff would be needed to complete the audits as originally planned.

Mrs. Mikulis noted that having to adjust the audit plan in response to reality and experience is not a surprise when there was no experience on which to base the plan.

Mr. Connors stated that the school staffs have been very cooperative during the audit process.

Legislative Audits (Attachment B)

Mrs. Mikulis reported that she attended a presentation by MABE's Legal Services Association concerning the new requirement that Legislative Audits of school systems be conducted. Common concerns across the counties that have been audited were:

- The auditors are inexperienced and have little-to-no knowledge of school systems, COMAR, and the Education Article of the *Annotated Code*, and a significant amount of time is required to educate them on how school systems work.
- Audits took 5+ months to complete and resulted in only general observations with no specific recommendations.
- No consistent template for audits across counties.

Mr. Connors noted that central office staff would be attending the Association of School Business Officials conference later in the fall, which will include a presentation by the Legislative Audit Office.

Mr. Brown pointed out that school systems are not state governmental agencies. Local boards of education are either elected or appointed to determine local policy which cannot be dictated by the legislative auditors.

Adjournment

The next quarterly meeting of the Audit Committee is scheduled for Friday, December 1, 2006, at 11:00 a.m.

Ms. Gordon adjourned the meeting at 12:02 p.m.

Attachments:

A - HCPSS Audit Plan (Revised)

B – Department of Legislative Services, Office of Legislative Audits
Audit Overview
Functional Areas

HCPSS AUDIT PLAN
2006-2007
(4-3-2006 THROUGH 6-30-2007)

Audit of one-third of schools (20 schools, 5 days for each = 700; 4 schools, 8 days* for each = 224)	924 hours
Evaluation of Internal Controls over payroll	42 hours
Audit of information technology policies and compliance requirements	105 hours
Audit of food service policies and compliance requirements	210 hours
Understanding of Accounting System and Internal Controls	140 hours
Unallocated audit time (available for special requests)	158 hours
Total hours budgeted	<hr/> <u>1,579 hours</u>

* Schools with demonstrated problems/weaknesses

Department of Legislative Services Office of Legislative Audits



Audit Overview



- Audit performed in accordance with State law, which requires OLA to audit all 24 public school systems once over a six-year period.
- The purpose of the audit was to evaluate the effectiveness and efficiency of the financial management practices in safeguarding assets and its use of financial resources.
- Audit approach consisted of 11 functional areas previously approved by the Joint Audit Committee, as required by State law.
- When warranted, we attempted to make use of the existing work of other auditors.



Functional Areas



The functional areas consisted of:

1. Revenue and billing cycle
2. Grants
3. Procurement and disbursement cycle
4. Human resources and payroll
5. Inventory control and accountability
6. Information technology issues
7. Facilities construction and maintenance
8. Transportation services
9. Food Services operations
10. School Board operations and oversight
11. Other financial controls