

Exhibit **B**



Financial Reporting

**Fiscal Accountability and
Control**

September 8, 2004

Baltimore County Public Schools



Legal Environment

- ⑥ Federal Regulations
- ⑥ Code of Maryland
 - Education
 - Procurement
 - Construction
- ⑥ MSDE Regulations
- ⑥ Baltimore County Charter



Essential Elements of Effective Internal Control

- ⑥ Control Environment
- ⑥ Financial Accounting Systems
- ⑥ Control Policies and Procedures



Control Environment

⑥ Management Awareness

- Open communication
- Fiscal Services weekly meetings with the Superintendent
- Budget adoption and publication
- Budget manager control
- Educate employees on controls
- Management support of control environment



Control Environment (Cont.)

⑥ Organizational Structure

- Clearly defined lines of authority
- Roles and responsibilities
 - Clearly defined job duties
 - Clearly required budget control
 - Segregation of duties



Control Environment (Cont.)

⑥ Personnel Policies

- Position control
- Hire and retain qualified employees
- Ongoing professional development
- Appropriate hiring processes



Control Environment (Cont.)

⑥ Monitoring

- Reconciliations
- Annual letters from the Superintendent on overspent budgets
- Monthly letters on spending levels to Executive Directors of Schools
- Short-term and long-term enrollment projections
- Strategic Planning
- Procurement cards monitoring and training
- Grants management



Control Environment (Cont.)

⑥ Monitoring (cont.)

– Reports

- Financial Statement Monthly to the Board - Friday Letter
- Publication of Comprehensive Annual Financial Report – Receive GFOA and ASBO Awards
- Electronic and Hard Copy Management Reports:
 - Position (FTE) Inventory Report
 - Summary and Transaction Reports
 - Payroll Distribution Report (Weekly)



Control Environment (Cont.)

⑥ Oversight

- Budget & Audit Committee
- Office of Internal Audit
- Operating Budget Reviews - County
- Internal and External Audits by:
 - KMPG, LLP (CAFR and Single Audit – A133)
 - Office of the Inspector General
 - MSDE
 - County
 - Other Agencies



Financial Accounting Systems

- ⑥ Automation of controls and generation of data
- ⑥ Assemble, analyze, classify, record, report, and maintain accountability
- ⑥ Controlled access to various systems
- ⑥ Include automated editing
- ⑥ Require encumbrances
- ⑥ HR and payroll modules
- ⑥ Purchasing module
- ⑥ Financial management module
- ⑥ Budget and forecasting modules
- ⑥ Position allocation system
- ⑥ Procurement card systems



Control Policies and Procedures

- ⑥ Board Policies – web site
- ⑥ Superintendent's Rules
- ⑥ Roles and Responsibilities
 - Segregation of duties
- ⑥ Superintendent's Bulletin
- ⑥ Office Procedures
 - Expenditure rules and authorizations (travel)
 - Authorized signatures
 - Independent reviews
 - Pre-authorizations