

BALTIMORE COUNTY PUBLIC SCHOOLS

DATE: June 14, 2005

TO: **BOARD OF EDUCATION**

FROM: Dr. Joe A. Hairston, Superintendent

SUBJECT: **EXECUTIVE SUMMARY OF AUDIT FINDINGS FROM FY04 –
STATUS AS OF 3/31/05**

ORIGINATOR: Mr. Thomas Grzymiski, Vice President

**RESOURCE
PERSON(S):** Fran Parker, Chief Internal Auditor
Barbara Burnopp, Executive Director for Fiscal Services

INFORMATION

In December, 2004, the Board received a report from our external auditors, KPMG, LLP, on the comprehensive annual financial report and related findings. The attached report is provided as an update from the Budget and Audit Committee.

* * * * *

Attachment: Baltimore County Public Schools - Executive Summary of Audit Findings from FY04 – Status as of 3/31/05 - Background, Action, and Responsible Party

Baltimore County Public Schools
Executive Summary of Audit Findings from FY04 – Status as of 3/31/05
Background, Action, and Responsible Party

Finding 04-01 Lack of Journal Entry Approval – Financial Statement Finding

Background: The audit finding from FY03 states that additional controls were needed on the processing of journal entries. The new procedure was developed and implemented in November 2003. However, findings from before the implementation date were noted in the FY04 audit due to the mid-year implementation of the new procedure.

Action Plan: Complete. BCPS implemented new controls in November 2003 to assure that all journal entries have proper review and approval.

Action Plan as of 3/31/2005: No change. Controls are still in place.

Responsible Party: Pat Fannon

Finding 04-02 Incorrect Reporting of Encumbrances– Financial Statement Finding

Background: The audit finding states that controls be put in place to assure that encumbrances are not made after June 30th for that fiscal year. Despite this being a long-standing practice of the school system, BCPS reversed the encumbrances noted by the audit.

Action Plan: Complete. BCPS has implemented controls to monitor encumbrances at the end of the fiscal year.

Action Plan as of 3/31/2005: No change. Controls are still in place.

Responsible Party: Pat Fannon

Finding 04-03 and 04-04 Lack of Time and Effort Reporting for Costs Charged to Federal Programs – Title I and Child Nutrition Cluster

Background: In order to support salary and related costs charge to federal programs, the audit recommends that additional controls be in place to assure that time and effort reporting is collected for all employees paid by grants. Employees engaged in two or more federal programs are required to complete monthly time and effort reports and employees engaged in only one federal program are required to complete semi-annual reports.

Action Plan: BCPS has implemented additional controls in the collection and completion of time and effort reports. BCPS has requested permission from MSDE for an alternative methodology for collecting monthly time and effort reports. BCPS has hired a part-time individual to document procedures, train employees, and review all positions paid for from Title I funding. BCPS will monitor all time and effort reports submitted for Title I funded staff during the fiscal year. BCPS will develop on-going business practices to assure compliance with time and effort requirements.

Action Plan as of 3/31/2005: BCPS has implemented the alternative methodology for collecting monthly time and effort reports. To date, all executive leadership staff and their administrative assistants, all grant managers and their fiscal assistants, and all Title I principals and their

bookkeepers have been trained on the new methodology, including requirements, forms and procedures. The procedures for semi-annual and miscellaneous payroll certification have been streamlined. The number of staff requiring bi-weekly time and effort certification has been significantly reduced, and each of these individuals has been trained on new procedures and forms. Executive leadership staff members have been directed to monitor and certify the time and effort records of all grant managers under their supervision. Principals were trained on the procedures for substitutes for teachers attending grant funded professional development.

Responsible Party: Ron Boone

Finding 04-05 Lack of Approval Over Transfer of Funds – Special Education, Pass-Through Program; and Child Nutrition Cluster, Title I, and Title II

Background: The audit finding from FY03 states that additional controls were needed on the processing of journal entries. The new procedure was developed and implemented in November 2003. However, findings from before the implementation date were noted in the FY04 audit due to the mid-year implementation of the new procedure.

Action Plan: Complete. BCPS implemented additional controls in November 2003 to assure that all journal entries have proper review and approval, including those related to Food Services and Special Education.

Action Plan as of 3/31/2005: No change. Controls are still in place.

Responsible Party: Karen Levenstein, Judy Glass, and Pat Fannon

Finding 04-06 Prompt Transfer of Federal Reimbursement Into the Food Service Account – Child Nutrition Cluster

Background: The audit finding states that controls be in place to assure that federal reimbursements are recorded to the food services account on a timely basis, rather than temporarily recorded in the general fund.

Action Plan: Complete. BCPS has put in place controls that assure immediate recording of the federal reimbursements in the food service account.

Action Plan as of 3/31/2005: No change. Controls are still in place.

Responsible Party: Pat Fannon and Karen Levenstein

Finding 04-07 Failure to Submit Bi-annual Progress Reports by the Required Deadline – Special Education Cluster

Background: The audit finding states that controls be in place to assure that the progress report required by MSDE be submitted by the required.

Action Plan: BCPS submitted the report in question six months after the required deadline. BCPS will put in place controls to see that reports due to MSDE are submitted timely even when staff changes are made.

Action Plan as of 3/31/2005: To ensure that deadlines will be met, the Office of Special Education has drafted an annual strategic planning calendar for all federal, state, and local initiatives for which the office is responsible. Grant progress reports for MSDE are included in

the calendar. The appropriate staff position that is responsible for each grant is identified. The strategic planning calendar will serve as a reference whenever there are personnel changes within the office. The due dates for mid-year reports are 1/30 and final reports are due 6/30 or 9/30 depending on the closing date for the grant. The director completed all mid-year progress reports and submitted them to MSDE on 1/23/05.

Responsible Party: Judy Glass

Finding 04-08 Inaccurate Data Submitted on the Special Services Information System (SSIS) Verification Report (Similar finding was noted in prior year's audit) – Special Education Cluster

Background: The audit finding states that controls be in place to assure that information included in the SSIS verification report submitted annually to MSDE tie to the applicable IEP.

Action Plan: During FY04, BCPS instituted controls including reviewing documentation and providing training to schools to ensure consistent and accurate reporting of data. Auditing of IEPs for accuracy between the SSIS verification report and each IEP has been added to the ongoing “local audit” process conducted by staff at schools. In addition during FY05, BCPS will be implementing an automated IEP system that allows for electronic transfer of real-time data, monitors for data entry errors, and generates system responses.

Action Plan as of 3/31/2005: BCPS has prepared and distributed detailed procedural technical assistance bulletins and has trained principals, assistant principals, IEP team leaders, and special education department chairs on the procedures. The nature of the state verification process, frequent errors, compliant IEP completion, and proper alignment of the SSIS verification report with each IEP were presented. During March and April 2005, staff members are informally auditing IEPs and SSIS reports at selected schools to provide a large sample from which to determine the level of compliance and additional areas of support, if necessary. These staff members are also verifying SSIS-IEP alignment on each school visit.

Responsible Party: Ron Boone

Finding 04-09 Inaccurate Data Submitted on the Special Services Information System (SSIS) Exit Verification Report (Similar finding was noted in prior year's audit) – Special Education Cluster

Background: The audit finding states that controls be in place to assure that information included in the SSIS exit verification report submitted annually to MSDE tie to MIPES.

Action Plan: During FY04, BCPS instituted controls including reviewing documentation and providing training to schools to ensure consistent and accurate data. Auditing of IEPs for accuracy between the SSIS verification report and each IEP has been added to the ongoing “local audit” process conducted by BCPS staff at schools. In addition during FY05, BCPS will be implementing an automated IEP system that allows for electronic transfer of real-time data, monitors for data entry errors, and generates system responses.

Action Plan as of 3/31/2005: BCPS has prepared and distributed detailed procedural technical assistance bulletins and has trained principals, assistant principals, IEP team leaders, and special education department chairs on procedures regarding the SSIS exit verification report. The nature of the report, frequent errors, compliant IEP completion, and proper alignment of the SSIS exit verification report with each IEP were presented to these staff members. During March and

April 2005, staff members are informally auditing IEP's and SSIS exit reports at selected schools to provide a large sample from which to determine the level of compliance and additional areas of support, if necessary. These staff members are also verifying SSIS-IEP alignment on each school visit.

Responsible Party: Ron Boone

Finding 04-10 Inaccurate Financial Status Reports (FSR) – Special Education Cluster

Background: The audit finding states that controls be in place to assure that there are not inaccuracies in the monthly FSR reports submitted to MSDE.

Action Plan: BCPS has implemented additional controls by adding a review step to ensure the accuracy of the FSR report before submission.

Action Plan as of 3/31/2005: Complete.

Responsible Party: Pat Fannon

Finding 04-11 Teachers Not Meeting the Definition of Highly Qualified – Title I

Background: The audit finding states that controls be in place to assure that any teacher hired after the first day of the 2002-03 school year to teach a core academic subject and who works in a program supported with program funds must be highly qualified.

Action Plan: For FY 2003-04 BCPS requested waivers for Title I schools with teachers that were not highly qualified but did not request a waiver for schools where conditional teachers were hired. For FY05, BCPS will review all positions hired after the first day of the 2002-03 school year.

Action Plan as of 3/31/2005: BCPS has identified core subject teachers in all Title I Schools hired after the first day of the 2002-03 school year. Some teachers may be eligible for transfers. Transfers are planned for the beginning of FY06.

Responsible Party: Alpheus Arrington

Finding 04-12 Inaccurate Information Submitted on the Comparability Report – Title I

Background: The audit finding states that additional controls be put in place to assure that the information within the comparability report is accurate.

Action Plan: Complete. BCPS has implemented additional controls; including updating a computer program and a structured timeline with identified accountable staff, to assure that the comparability report contains accurate information.

Action Plan as of 3/31/2005:

Responsible Party: Ron Boone and Greg Barlow