

Financial Management Practices Audit Report

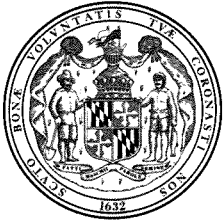
Washington County Public Schools

June 2013



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

-
- This report and any related follow-up correspondence are available to the public through the Office of Legislative Audits at 301 West Preston Street, Room 1202, Baltimore, Maryland 21201. The Office may be contacted by telephone at 410-946-5900, 301-970-5900, or 1-877-486-9964.
 - Electronic copies of our audit reports can be viewed or downloaded from our website at <http://www.ola.state.md.us>.
 - Alternate formats may be requested through the Maryland Relay Service at 1-800-735-2258.
 - The Department of Legislative Services – Office of the Executive Director, 90 State Circle, Annapolis, Maryland 21401 can also assist you in obtaining copies of our reports and related correspondence. The Department may be contacted by telephone at 410-946-5400 or 301-970-5400.
-



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

June 10, 2013

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We conducted an audit of the financial management practices of the Washington County Public Schools (WCPS) in accordance with the requirements of the State Government Article, Section 2-1220(e) of the Annotated Code of Maryland. The objectives of this audit were to evaluate whether WCPS procedures and controls were effective in accounting for and safeguarding its assets and whether its policies provided for the efficient use of financial resources.

Our audit disclosed that WCPS needs to enhance internal controls and accountability for certain financial operations including cash receipts, procurement and disbursements, payroll processing, information system security, and equipment control. For example, cash receipts duties were not properly segregated and certain critical payroll system functions were not properly restricted, thereby increasing the risk of misappropriation of funds without detection. Also, WCPS was not verifying certain contract service payments and automated systems were not properly secured to mitigate risks from internal and external sources.

The audit also identified opportunities to improve the cost-effectiveness of its student transportation operations. Certain rates used to pay bus contractors were negotiated without ensuring the amounts were reasonable, considering market conditions or actual costs. For example, we estimated that for the 25 buses placed in service between fiscal years 2009 to 2012, WCPS will pay out approximately \$1.1 million more over the 12-year life of the buses since a particular payment component was based on negotiated rates rather than market rates.

WCPS also should enhance existing policies to help ensure that certain procurements are subject to competitive procurement methods and sensitive equipment is properly controlled and accounted for.

WCPS had established proper internal controls in a number of areas, such as federal grant management and food services. WCPS also took actions to address many of the findings from our preceding audit report.

An executive summary of our findings can be found on page 5. WCPS' response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during our audit by WCPS.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas J. Barnickel III", with a stylized flourish at the end.

Thomas J. Barnickel III, CPA
Legislative Auditor

Table of Contents

Executive Summary	5
Background Information	7
Statistical Overview	7
Oversight	7
External Audit of Fiscal Year 2011 Activity	7
Status of Findings From Preceding Audit Report	8
Findings and Recommendations	9
Revenue and Billing Cycle	
* Finding 1 – Internal Controls Over Cash Receipts Received and Recorded at the Central Business Office Were Not Adequate	10
Federal Funds	11
Procurement and Disbursement Cycle	
Finding 2 – WCPS Procurement Policies Did Not Require Competitive Procurements For Purchases Less Than \$20,000	12
* Finding 3 – Adequate Procedures and Controls Had Not Been Established For Blanket Purchase Orders and Board Approval Was Not Always Obtained	12
Finding 4 – WCPS Did Not Properly Secure Vendor Bids and Certain Bid Opening Controls Were Lacking	13
Finding 5 – WCPS Lacked Procedures and Controls to Ensure the Propriety of Employee and Retiree Health Care Costs	14
Finding 6 – WCPS Did Not Always Use a Competitive Process to Procure Stop-Loss Insurance Coverage For Its Health Care Claims	15
Human Resources and Payroll	
Finding 7 – Access to the Automated Human Resource and Payroll System Was Not Adequately Restricted	16
Finding 8 – WCPS’ Practice of Certifying Unused Sick Leave to the Maryland State Retirement and Pension System Was Questionable	17
Inventory Control and Accountability	
Finding 9 – Proper Accountability Had Not Been Established Over Capital Equipment	18

* Denotes item repeated in full or part from preceding audit report

Information Technology	
Finding 10 – Certain System Access, Monitoring, and Authentication Controls Were Not Adequate	19
Finding 11 – WCPS’ Network Was Not Properly Secured	20
Finding 12 – WCPS Did Not Have a Complete Disaster Recovery Plan and Backups of Critical Network Devices Were Not Current	21
Facilities Construction, Renovation, and Maintenance	
Finding 13 – WCPS’ Energy Management Program Was Not Sufficiently Comprehensive	22
Transportation Services	
* Finding 14 – Certain Payments to Bus Contractors Were Not Based on Market Conditions or Actual Costs	24
Finding 15 – WCPS Did Not Verify Certain Payment Information Provided by Bus Contractors	26
Finding 16 – WCPS Did Not Fully Utilize Its Automated Routing Software Capabilities	26
Finding 17 – Current Bus Service Operations Have Not Been Established As Cost Beneficial	27
Finding 18 – Fuel Purchases Were Not Always Properly Supported or Verified Prior to Payment	28
Food Services	29
School Board Oversight	29
Other Financial Controls	30
Audit Scope, Objectives, and Methodology	31
Agency Response	Appendix

* Denotes item repeated in full or part from preceding audit report

Executive Summary

Legislative Audit Report on the Washington County Public Schools (WCPS) June 2013

According to data compiled by the Maryland State Department of Education, WCPS ranks 11th in student enrollment among the 24 public school systems in Maryland. In fiscal year 2012, WCPS had a total full-time regular and special education pupil population of 22,240 at its 46 schools. WCPS' operating and capital expenditures totaled \$303 million during that year.

The Office of Legislative Audits has conducted its second audit of WCPS' financial management practices. The results of the first audit were issued in a report dated August 6, 2007. Our current audit identified a number of opportunities for WCPS to improve internal controls, to adopt more cost effective processes, and to enhance policy direction.

WCPS Needs To Improve Internal Controls and Accountability in Certain Financial Areas

Although proper internal controls had been establish in certain financial areas, such as federal grants and food service operations, WCPS needs to improve internal controls and accountability in certain financial areas. For example, WCPS needs to establish initial accountability and segregate employee duties over certain types of cash receipts received at various headquarter locations and forwarded to the Central Business Office for deposit processing. WCPS also needs to restrict access to its automated human resources and payroll system and implement adequate security measures and monitoring procedures to protect its network and related critical devices from security risks. For example, certain firewall rules allowed unnecessary access from external sources to critical portions of WCPS' network, thereby placing various network devices at risk. Password controls over network access were not sufficient to properly protect critical resources and sensitive data. In addition, WCPS did not have a complete information technology disaster recovery plan in place.

WCPS needs to verify the propriety of billings for health care services and student bus services provided by contractors. Health care claim billings were not verified to supporting documentation of actual claims activity. WCPS is self-insured for employee medical benefits and uses a third-party administrator to process related claims. Payments to the administrator totaled \$23.1 million in fiscal year 2011, including \$2.6 million for the administrator's fee. In addition, WCPS did not ensure the accuracy of bus

contractor reported time and mileage information that was used to pay certain operator costs.

WCPS Should Consider Implementing Certain Steps to Improve Cost Effectiveness

Certain procurements were not subject to competitive procurement methods to ensure that WCPS received the best value for goods and services. For example, it was WCPS' practice to establish blanket purchase orders with specific vendors without competitive bidding.

WCPS should establish payment rates to bus contractors in a manner that ensures that the amounts are reasonable, considering market conditions and actual costs. For example, we estimated potential cost savings of \$1.1 million over the estimated 12-year life of 25 buses owned by contractors if a particular payment component was based on market rather than negotiated rates.

WCPS did not fully utilize its automated bus routing software to ensure the efficiency of bus routes. Furthermore, although WCPS had periodically assessed the cost effectiveness of contracting and directly operating buses for certain specific routes, it had not performed a system-wide cost benefit analysis to determine the cost efficiency of contracting and directly owning and operating its student bus transportation system. For example, two recent analyzes concluded that savings could be realized by transferring certain WCPS operated routes to contractors. According to WCPS records, in fiscal year 2011 transportation costs totaled \$11.1 million with 32 percent paid to contractors.

WCPS Needs to Enhance Certain Policies

WCPS needs to enhance existing procurement and equipment policies. The procurement policies did not address the need to use competitive procurement methods for purchases under \$20,000. The equipment policies did not require that all sensitive items be recorded in the equipment records or tagged for identification purposes.

Background Information

Statistical Overview

According to student enrollment records compiled by the Maryland State Department of Education (MSDE), Washington County Public Schools (WCPS) ranks 11th in student enrollment among the 24 public school systems in Maryland. From fiscal year 2002 to 2012, the total full-time student population has increased 11 percent from 19,961 to 22,240 students. Since the 2009 – 2010 school year, WCPS has had 46 schools, consisting of 27 elementary, 7 middle, 7 high schools, 1 combined middle/high school, 1 technical high school, 1 outdoor education center, 1 evening high school and 1 special education center.

According to WCPS' audited financial statements, operating and capital expenditures totaled \$303 million in fiscal year 2011. The largest expenditure category was salaries and wages, including benefits, which accounted for 84 percent of total operating expenditures during fiscal year 2011. According to MSDE records, during the 2010 – 2011 school year, WCPS had 2,959 full-time equivalent positions which consisted of 2,038 instructional and 921 non-instructional employees.

Oversight

WCPS is governed by a local school board, consisting of seven elected voting members and one non-voting student member. The State and the Washington County government provide the vast majority of WCPS funding. In addition, MSDE exercises considerable oversight through the establishment and monitoring of various financial and academic policies and regulations, in accordance with certain provisions of the Annotated Code of Maryland. MSDE also works with WCPS to comply with the requirements and mandates of federal law. Washington County government exercises authority over WCPS, primarily through review and approval of WCPS' annual operating and capital budgets.

External Audit of Fiscal Year 2011 Activity

WCPS engages a certified public accounting firm to independently audit its fiscal year-end financial statements. Additionally, the auditor conducts what is referred to as a Single Audit of WCPS federal grant programs (as required by federal regulations). The resulting financial statement and single audit reports for fiscal year 2011 were issued in September 2011. Neither report

included any material weaknesses¹ or deficiencies² in WCPS' record keeping, processes, and controls.

Due to similarities between the work of the independent certified public accounting firm that audited WCPS' financial statements and the risks and scope of our audit in certain areas, we relied on the results of the independent audit of the fiscal year 2011 financial statements to reduce the scope of our audit work related to revenues, accounts receivable, and federal grant activity.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of 21 of the 26 findings contained in our preceding audit report dated August 6, 2007 (the 26 findings resulted in 17 detailed recommendations in that report). We followed up on these 21 findings based on our current assessment of significance and risk relative to the audit objectives. We determined that WCPS satisfactorily addressed 18 of these findings. The remaining 3 findings are repeated in this report.

¹ A material weakness in internal control is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Board's financial statements (or, with respect to Single Audit, material noncompliance with a type of compliance requirement of a federal program) will not be prevented or detected and corrected, on a timely basis.

² A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. With respect to Single Audit, a deficiency is a control deficiency, or combination of control deficiencies, that does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

Findings and Recommendations

Revenue and Billing Cycle

Background

WCPS revenues consist primarily of funds received from Washington County, the State, and the federal government. According to the WCPS audited financial statements, revenues from all sources totaled \$301.4 million during fiscal year 2011. In addition to these revenue sources, schools also collect funds for various purposes, such as for student activities, clubs, and school publications. Because they are not considered school revenue, these student activity funds are accounted for separately by each school and are reported in summary in the audited financial statements. Although this revenue is raised through student-related activities, WCPS has a fiduciary duty to safeguard these funds. For fiscal year 2011, school activity fund collections totaled \$4.85 million and the June 30, 2011 balance was \$2.8 million.

External Audit Disclosed No Reportable Conditions Regarding Revenue Activities

Due to the similarities between the work of the independent certified public accounting firm that audited the WCPS financial statements and the objectives of our audit in this area, we placed significant reliance on the results of that audit for certain revenues and accounts receivable (for example, amounts due from other governments). The auditor's procedural review and testing disclosed no material weaknesses or deficiencies regarding material revenue types or accounts receivable, the majority of which related to electronic fund transfers from other government entities and food service cash receipts.

Student Activity Funds Were Subject to External Review

WCPS engaged a consultant to review the student activity funds at each of the schools on an annual basis. This review consisted of evaluating and testing internal controls over cash receipts and disbursements. The results of the consultant's reviews were provided to the Chief Financial Officer. Our review of the consultant's procedures for one elementary, one middle, and one high school disclosed that the reviews were conducted in accordance with Board policies and the *School Accounting Manual*. The *Manual* establishes a uniform method for reporting all receipts, expenditures, and balances related to school sponsored activities. Furthermore, the consultant's reports we reviewed did not identify any improprieties or prevalent control weaknesses.

Finding 1

Internal controls over cash receipts handled at the Central Business Office were not adequate.

Analysis

Internal controls over cash receipts, such as Medicaid reimbursements and facility rental fees, received at various departments in the WCPS headquarters building and forwarded to the Central Business Office (CBO) for subsequent deposit processing were not adequate. Specifically we noted the following conditions:

- Cash receipts were not recorded and checks were not restrictively endorsed until the related deposit slip was prepared by the CBO rather than upon initial receipt. Also the transfer of funds from receiving departments to the CBO was not documented to establish the chain of custody for the funds.
- Duties were not properly segregated in that the CBO employee responsible for the deposit verification also received collections from the various departments. Further, two CBO employees involved with the cash receipt and deposit process also had access to the related accounts receivable records. For example, the employee who took the deposits to the bank also had the ability to create and modify the related accounts receivable records.
- Although cash receipts were stored in a locked safe before being recorded, access to the safe was not adequately limited. Specifically, we noted at least five CBO employees had routine access to the safe key.

As a result of these conditions, collections could be misappropriated without detection. According to WCPS records, cash receipts processed by the CBO totaled approximately \$7.2 million during fiscal year 2011.

Recommendation 1

We recommend that WCPS

- a. record collections immediately upon receipt;
- b. restrictively endorse all checks immediately upon receipt;
- c. document the chain of custody when transferring collections to other departments;
- d. ensure proper segregation of duties over the cash collections, deposit preparation, and accounts receivable (repeat); and

- e. ensure all collections are adequately secured prior to subsequent processing and deposit.

We advised WCPS on accomplishing the necessary separation of duties using existing personnel.

Federal Funds

Background

WCPS receives funds pertaining to federal government programs that are generally restricted for use for a specified program (such as the School Lunch Program or Special Education). According to the audited Schedule of Federal Awards, Fiscal Year 2011 expenditures of federal award funds totaled \$32 million.

Single Audit Report Disclosed No Reportable Conditions Regarding Federal Grant Management

Due to the work performed by the independent certified public accounting firm that conducted the Single Audit of the WCPS federal grants and the objectives of our audit in this area, we relied on the auditor's work and results. Besides expressing an opinion on WCPS compliance with the terms of several grant programs, the auditor also considered the existing internal control structure's impact on compliance and audited the Fiscal Year 2011 required Schedule of Federal Awards (which includes claimed and reported grant-related expenditures). The related report stated that WCPS complied, in all material respects, with the requirements applicable to its major federal programs. With respect to internal controls over compliance with major federal programs, the auditor did not identify any material weaknesses.

Procurements and Disbursements

Background

According to WCPS records, non-payroll disbursements totaled \$77 million during fiscal year 2011. Requisitions for goods and services are manually generated by the requesting department and must be approved by supervisory personnel (such as the respective department head or principal). The Procurement Department creates all purchase orders from approved requisitions. Board approval is required for purchases of goods with a cost exceeding \$25,000 and for service contracts exceeding \$50,000. All invoices are submitted by vendors directly to the finance office. The receipt of goods and services is confirmed by the requesting department before payments are

processed by the finance department using an automated system that prints vendor checks and also posts the payments to the financial records.

Finding 2

WCPS procurement policies did not require competitive procurements for purchases that cost less than \$20,000.

Analysis

WCPS' policies did not require the use of competitive procurement methods for any purchases less than \$20,000. While formal bidding may not be appropriate for smaller procurements, competitive procurement methods (such as obtaining quotes from multiple vendors over the phone) should generally be required except for small procurements. For example, State procurement regulations require competitive procurement methods for procurements over \$5,000.

Recommendation 2

We recommend that WCPS amend its existing policies by lowering the monetary threshold (for example, to \$5,000) for which competitive procurement methods must be used.

Finding 3

Blanket Purchase Orders (BPOs) were processed without obtaining bids, documenting prices, and obtaining required Board approval.

Analysis

WCPS' practice was to establish BPOs without competitive bidding and certain BPOs were not submitted to the Board for approval, as required. In essence, the BPOs directed individual purchases to specific vendors for certain supplies and services but the benefit of this process was not evident. The BPOs we reviewed did not identify items nor include quantity limits, prices to be charged, or discounts. For example, one BPO simply stated that it was issued to cover automotive parts and services and that no single transaction may exceed \$1,000. Generally, the purpose of State BPOs is to establish an agreement with a vendor for recurring purchases of goods and services at a competitively procured fixed price or discount. Similar conditions were commented upon during our prior audit.

Our test of 10 vendor BPOs with total fiscal year 2011 expenditures of approximately \$402,000, with total purchases charged against each BPO exceeding \$20,000, disclosed that none of the tested BPOs were

competitively procured and none of the 9 for which total purchases exceeded \$25,000 were approved by the Board, as required by Board policies. Board policies require that expenditures exceeding \$20,000 require competitive procurement and expenditures exceeding \$25,000 require Board approval. Additionally, none of the 10 BPOs tested contained a formal written agreement for agreed-upon pricing, discounts, and delivery terms for items to be purchased. Accordingly, there was no assurance that the best price was obtained.

Recommendation 3

We recommend that WCPS

- a. **comply with its existing policies and procedures regarding competitive procurements (repeat); and**
- b. **prepare and retain sufficient contract documentation including agreed-upon pricing, discounts, and other relevant terms (repeat).**

Finding 4

WCPS did not properly secure vendor bids and certain bid opening controls were lacking.

Analysis

WCPS did not comply with Board policy by adequately securing vendor bids prior to bid opening. Specifically, a purchasing office employee stored vendor bids in an unlocked desk drawer that was accessible to several employees. Also, the Board policy did not address certain aspects of the process for opening bids. Although the policy on bid openings addressed matters such as location and timing, it was silent on the number of people to be present as witnesses or documentation to be maintained. For 6 of 12 procurements reviewed that occurred between 2008 and 2011, we noted problems with the bid opening process. For example, in four cases WCPS could not provide bid opening documentation (such as a tabulation of the bids received) and in two cases only one employee, such as the procurement director was present for the bid openings. Consequently, the integrity of the bid process and the contract award could be compromised. According to WCPS' records, contractual services expenditures, including small procurements that do not require bids, totaled approximately \$13.9 million for fiscal year 2011.

Recommendation 4

We recommend that WCPS

- a. **adequately secure all vendor bids prior to opening; and**
- b. **enhance its policy for bid openings by requiring that bid openings be witnessed and documented by at least two individuals, and related bid**

opening documentation (such as a tabulation of bids received) is maintained.

Health Care Contracts

Background

WCPS self-funds all health care costs and uses a third-party administrator to pay claims on behalf of plan participants and authorized dependents. Providers submit claims to the administrator who pays them on behalf of WCPS and then obtains reimbursement from WCPS for actual costs of claims paid. WCPS pays an administrative fee for these services. For fiscal year 2011, according to WCPS records, amounts paid for health care totaled \$23.1 million, including administrative fees of approximately \$2.6 million. Furthermore, as of July 2011, there were approximately 3,820 employees, retirees, and dependents receiving benefits under the health care contract.

Finding 5

WCPS did not ensure the propriety of payments for employee and retiree health care costs.

Analysis

WCPS lacked procedures and controls to ensure that amounts paid to the third-party health care administrator were proper. Our review of WCPS' procedures and controls over the contract and related payments for medical claims and administrative fees disclosed the following conditions:

- WCPS' policy was to pay the claims reimbursements invoiced by the vendor without performing any verification that the invoiced amounts were proper. Specifically, WCPS did not conduct or contract for comprehensive claim reviews to ensure that the vendor paid claims only for eligible individuals in accordance with the contract terms, and did not review claims documentation to ensure the appropriateness of billed services (for example, were actually provided and medically necessary). In this regard, the Maryland Department of Budget and Management, which has similar claims processing contracts for State employees, contracts with a third-party vendor (other than the vendor processing claims) to conduct reviews of claims paid.
- WCPS did not ensure that administrative fees were appropriately billed or were only paid for eligible individuals. WCPS paid a monthly administrative fee of \$35 per participant and a slightly lower fee for participants with Medicare.

Recommendation 5

We recommend that WCPS establish a process to verify the propriety of claims and administrative fees paid to the health care administrator. For example, comprehensive claims reviews should be conducted to ensure that only valid claims were paid for services actually provided for covered members.

Finding 6

WCPS did not always use a competitive procurement process to obtain stop-loss insurance coverage for its employee health care coverage.

Analysis

WCPS did not use a competitive procurement process to procure stop-loss insurance coverage for employee health claims for fiscal years 2010 and 2011. (Stop-loss coverage indemnifies WCPS against health insurance claim amounts that exceed a certain threshold for a member.) Payments to the insurer for stop-loss coverage totaled \$1.9 million during these fiscal years.

During fiscal year 2008 WCPS competitively procured a health care administrator contract, which included stop-loss insurance coverage for fiscal year 2009. However, for all years after fiscal year 2009, WCPS negotiated stop-loss insurance coverage with the incumbent provider, who is also the third-party administrator. Without a competitive process to procure the insurance coverage, WCPS lacked assurance that it obtained the coverage at the best possible price. Since the initial competitively procured contract for the stop-loss insurance, the premiums paid to the stop-loss provider have increased and the coverage has decreased. Specifically, the initial stop-loss contract for fiscal year 2009 provided coverage for all claims above \$250,000 per member for an annual premium of \$24.51 per employee while the contract for fiscal year 2011 provided coverage for losses above \$300,000 at an annual cost per employee of \$33.80.

Recommendation 6

We recommend that WCPS competitively procure its stop-loss insurance for its employee health care coverage.

Human Resources and Payroll

Background

Payroll expense represents the largest single cost component in the WCPS budget. Fiscal year 2011 salary, wage, and benefit costs totaled \$208

million. According to MSDE reports, during the 2010 - 2011 School Year, WCPS had 2,959 full-time equivalent positions, including 921 non-instructional positions.

Finding 7

WCPS did not adequately restrict access to its automated human resources and payroll system.

Analysis

WCPS did not establish adequate internal controls over its automated human resources and payroll system and related processes. Specifically, our review disclosed the following conditions:

- Four employees had the ability to change pay rates, including their own, without supervisory review or approval. Although WCPS was capable of generating output reports identifying pay rate changes, such reports were not generated. As a result of this condition, improper or erroneous transactions could be processed without detection.
- WCPS did not periodically review system access to ensure that critical capabilities assigned to employees were proper. In this regard, we identified 11 employees whose access allowed them to prepare payments for other than regular earnings, which was not a requirement for their job.

Our tests of payroll change and adjustments did not disclose any inappropriate or erroneous transactions.

Recommendation 7

We recommend that WCPS ensure adequate controls are in place over payroll processing. Specifically, we recommend that WCPS

- a. **generate and retain output reports identifying all pay rates changes made,**
- b. **perform documented independent supervisory reviews of pay rate changes,**
- c. **periodically (such as annually) review and evaluate the human resource and payroll system capabilities assigned to all individuals and initiate appropriate changes, and**
- d. **only assign critical system functions to employees who need those capabilities to perform their job duties.**

Finding 8

WCPS certified sick leave to the Maryland State Retirement and Pension System as unused for the portion that was previously paid to employees upon separation, resulting in increased pension benefits.

Analysis

It was WCPS' policy to pay employees for their accumulated sick leave upon retirement, but also to certify that this sick leave was unused to the Maryland State Retirement and Pension System (MSRPS), resulting in increased retirement service credit for these employees. For example, upon retirement WCPS paid one employee \$38,000 in fiscal year 2011 for the employee's unused sick leave balance at a rate specified in the applicable union agreement, and certified to MSRPS that all of this employee's accumulated sick leave was unused. Accordingly, MSRPS increased the annual retirement benefit for the reported unused sick leave, resulting in an additional annual retirement benefit of \$2,077. Based on WCPS records, sick leave payouts totaled approximately \$458,000 and \$708,000 in fiscal years 2011 and 2012, respectively.

We were advised by WCPS personnel that reporting the full unused sick leave balance to MSRPS has occurred for many years. Furthermore, although a joint advice of counsel from legal counsels assigned to the Maryland General Assembly and MSRPS indicated that the law in this area is ambiguous, the advice concluded that the better interpretation of the law would be to not report leave to the MSRPS for which employees have been paid upon retirement. Unlike the State's personnel policies, which do not allow for sick leave balance payments upon retirement, the practice of making payments to retirees for a portion of their unused sick leave, yet reporting the entire accumulated sick leave balance to MSRPS for retirement service credit purposes, appears common among the school systems.

Recommendation 8

We recommend that WCPS Board reevaluate the accumulated sick leave payment practices and consider discontinuing the practice of certifying unused sick leave to MSRPS while making a payment to employees for unused sick leave at retirement.

Inventory Control and Accountability

Background

According to WCPS audited financial statements, the undepreciated value of its capital equipment inventory totaled approximately \$40.6 million as of June 30, 2011. WCPS maintains centralized automated records to track equipment inventory with a cost of \$1,000 or more (including items capitalized for financial statement purposes).

Finding 9

Internal controls and record keeping over equipment were not adequate.

Analysis

WCPS lacked sufficient policies to safeguard its sensitive equipment, and did not establish proper accountability and control over its capitalized equipment. For example, our review disclosed the following conditions:

- WCPS did not have a sufficient policy or procedures to control sensitive items below the \$1,000 threshold, primarily technology equipment such as cameras, laptops, tablets, and other electronic devices. Items below the \$1,000 threshold were not recorded in the centralized automated records nor were they required to be labeled to identify them as WCPS property. While WCPS indicated electronic tracking software was used to monitor the location of certain sensitive equipment, reports of this monitoring were not maintained. The Government Finance Officers Association (GFOA) recommends that an entity establish controls over non-capitalized equipment that is marketable and susceptible to theft.
- The physical inventory counts were not subject to an independent verification. Physical inventories were performed near the end of the school year by a representative at each school who was essentially the property custodian (and thus not independent), but WCPS had not established a procedure to verify the accuracy of the inventory counts reported by the custodians on the property lists. The property lists were used by the central office record keeper to update the equipment inventory records and report disposals, transfers, and missing items. Under similar circumstances, State inventory controls require a test count of a reasonable number of items.

Recommendation 9

We recommend that WCPS put the necessary policies and procedures in place to ensure accountability and control over its equipment inventory.

Specifically, we recommend that WCPS

- a. establish a policy requiring all sensitive items to be recorded in the inventory records and tagged for identification purposes, and
- b. implement a process to periodically and independently verify the results of the physical inventories taken by the schools.

Information Technology

Background

WCPS' Information Management and Instructional Technology Department maintains and administers the WCPS computer network, computer operations, and information systems applications. WCPS operates a wide area network, with Internet connectivity, which connects the individual schools to the computer resources located at the WCPS Board of Education building. This building hosts critical devices including the Internet firewall and computer servers, which support WCPS' critical applications including the student management system, finance management system, and human resources and payroll system.

Finding 10

Certain system access, monitoring, and authentication controls were not adequate.

Analysis

Controls were not adequate over network authentication and a critical server that hosts a number of the WCPS critical systems (for example the student management system). Specifically, we noted the following conditions:

- Password controls over network access and the aforementioned server were not sufficient to properly protect critical resources and sensitive data. Password length, complexity, maximum age, history, and account lockout were not in accordance with best practices prescribed by the State of Maryland Department of Information Technology (DoIT) *Information Security Policy*. For example, required password length for network access was set at two characters, instead of the minimum of eight characters required by the aforementioned Policy, and 572 user accounts with access to the server had passwords that never expired. In addition, we identified three user accounts that had unnecessary modification access to this server's production data files, programs, and logs.

- Direct changes to critical files on the aforementioned server were not logged. Furthermore, although WCPS reviewed audit reports of security activity for this server, we were advised that these reviews did not include verification of key security events (for example, user creation) to supporting documentation. In addition, these reviews were not independent, since they were performed by the individual with complete authority over this server.

Recommendation 10

We recommend that WCPS establish appropriate network and server access, monitoring and authentication controls. Specifically, we made detailed recommendations to WCPS, which if implemented, would provide for adequate controls in these areas.

Finding 11

The WCPS network was not properly secured.

Analysis

The WCPS network was not properly secured. Specifically, we noted the following conditions:

- An intrusion detection prevention system (IDPS) was not used on the WCPS network. An IDPS gathers and analyzes network traffic to identify and/or prevent network security breaches and attacks, and alerts network administrators of these situations. Best practices prescribed by the State of Maryland Department of Information Technology (DoIT) *Information Security Policy* require the use of an IDPS.
- Eleven publicly and widely accessible servers, including email related servers, were located on the WCPS internal network rather than isolating these servers in a separate protected network zone. These servers, which could potentially be compromised, exposed the internal network to attack from external sources. The National Institute of Standards and Technology *Guidelines on Firewalls and Firewall Policy* recommends placing publicly accessible servers in an external protected zone so as to protect those servers as well as an entity's internal network.
- WCPS did not adequately secure its internal network from improper network level access from WCPS high school computer lab workstations or school system laptops used by students. WCPS did not use network access control software or network level traffic filtering to protect its network from activity emanating from these workstations and laptops.

Such access should be limited to devices necessary for students to perform required tasks.

- Insecure connection protocols which transmitted userids and passwords in clear text were enabled on two critical firewalls for remote administration of the firewalls. In addition, remote administrative access to these firewalls was not restricted to only those users who required such access.

Recommendation 11

We recommend that WCPS

- a. perform a documented review and assessment of its network security risks, identify how IDPS coverage should be best applied to its network, and implement IDPS coverage for all critical portions of its network as appropriate;**
- b. segregate publicly and widely accessible servers in a separate protected network zone;**
- c. implement controls to limit network level student access to only authorized local school and headquarters network resources; and**
- d. restrict remote firewall administrative access to use of only encrypted protocols and limit such remote access to only those users requiring such access.**

Finding 12

WCPS' information technology disaster recovery plan was not comprehensive and backups of several critical network devices were not current.

Analysis

WCPS did not have a comprehensive information technology disaster recovery plan (DRP) and backups of several critical network devices were not current. Specifically, WCPS did not have a comprehensive DRP for recovering from disaster scenarios (such as fire). For example, the DRP did not contain listings of hardware and software components or prioritize applications for recovery. We also noted that the configurations of several critical network devices, including two firewalls, either were not backed up or were not backed up on a consistent basis. Without a comprehensive DRP and timely back up of critical files and settings, a disaster could cause significant delays (for an undetermined period of time) in restoring information systems operations. The State of Maryland Information Technology (IT) *Disaster Recovery Guidelines* provide information on the minimum required elements needed for a DRP (including listings of hardware and software) and the creation and off-site storage of critical back-up files.

Recommendation 12

We recommend that WCPS develop and implement a comprehensive disaster recovery plan that is in accordance with the State of Maryland *Information Technology (IT) Disaster Recovery Guidelines*. We also recommend that WCPS perform regular backups for all of its critical network devices and appropriately store all backups.

Facilities Construction, Renovation, and Maintenance

Background

WCPS maintains a total of 48 facilities (including schools and other administrative and support offices) with a staff of 196 custodial and 35 maintenance personnel. According to the Capital Improvement Plan (CIP) prepared in fiscal year 2012, planned construction, major renovations, and systemic improvements to WCPS facilities over fiscal years 2013 through 2018 are estimated to cost \$205 million (\$110 million in State funds and \$95 million in local funds).

An Inclusive Process is Used to Plan for School Facility Construction, Major Renovation, and Repair Projects

WCPS uses a comprehensive process, which includes the solicitation of input from various sources, to plan for future school construction, major renovation and repair projects. For example, WCPS uses public meetings, student demographic data, and other internal sources (such as current curriculum mandates) to develop its six-year CIP. The CIP is presented to and approved by the Board, as well as elected local officials. In addition, the Educational Facilities Master Plan that is used to guide overall WCPS operations incorporates certain CIP objectives and strategies related to school facilities. Our review of the aforementioned fiscal year 2012 CIP disclosed that it appeared to address the needs of WCPS based on items such as student demographics and facility assessments. In addition, projects reviewed during the audit met the needs of the WCPS as determined in these plans.

Finding 13

WCPS' energy management program was not sufficiently comprehensive.

Analysis

Although, WCPS implemented certain energy management procedures in order to reduce energy costs, it did not have a documented comprehensive energy management program that detailed the procedures to be conducted, expected results, and specific monitoring to be performed. Specifically our review noted the following conditions:

- WCPS had not developed specific goals or strategies for its energy management program such as reducing energy consumption by a specified percentage.
- WCPS conducts periodic site visits to monitor energy usage but did not document these visits. We were advised by WCPS management that site visits are conducted on an on-going basis based on need. However, WCPS was unable to provide a comprehensive listing of visits or actions taken or recommended as a result of the visits and, consequently, we could not determine if all locations had been evaluated. In addition, results of these visits and appropriate recommendations for reducing energy usage were not summarized for management review or other programmatic oversight.

WCPS has a dedicated energy manager program coordinator who is responsible for monitoring energy practices at the facilities, as well as advising personnel on energy conservation practices. According to WCPS records, energy costs totaled \$6 million during fiscal year 2011.

Recommendation 13

We recommend that WCPS

- develop a comprehensive energy management program that includes specific goals and strategies; and**
- maintain documentation of site visits, and track the recommendations made and actions taken as the basis for reporting to management.**

Transportation Services

Background

WCPS has approximately 19,000 students eligible to receive student transportation services. These students were transported on one of 68 contractor-owned buses or 126 school system-owned buses. For contractor owned buses, WCPS assumes nearly all of the risks for bus operations while essentially guaranteeing a profit to the contractors each year for the expected 12-year³ life of a bus. Specifically, contractors are paid a per vehicle allotment (PVA) that repays the bus contractors the full acquisition cost of the bus over a 12-year period with the assumption that there is no residual value. The PVA also provides an additional annual payment as a return on

³ In Maryland, conventional school buses operated in certain jurisdictions, including Washington County, have a useful life of 12 years as established by Maryland law. Under prescribed maintenance and inspection conditions, the State Superintendent of Schools can grant approval to operate a conventional school bus beyond 12 years.

investment (ROI) to the contractors, which is established when a bus is purchased and remains fixed over the bus' life.

Furthermore, the bus contractors are paid a per mile rate for bus operating and maintenance costs, a driver per hour allotment to cover the contractor's labor costs, a fixed percentage of labor costs for benefits, and for fuel usage at market rates. Additionally, WCPS pays for the liability insurance, including personal injury and property damage, for all buses operated for WCPS, including contractor buses.

According to WCPS records, fiscal year 2011 transportation costs totaled approximately \$11.1 million, with \$3.5 million (32 percent) paid to bus contractors. Of the 2.3 million reported route miles for the 2010-2011 school year, 31 percent represented miles traveled to transport disabled students.

Finding 14

Certain payments to bus contractors were not based on market conditions or actual costs.

Analysis

Certain elements used to determine contractual rates were negotiated without considering market conditions and actual operating costs. Our review of the contract terms disclosed the following conditions:

- WCPS negotiates the PVA amount with contractors based on contractor requests without considering market conditions relating to the ROI portion. To estimate the financial impact to WCPS of using a negotiated ROI rate rather than the prime interest rate,⁴ we recalculated the PVA for each of the 25 new buses placed into service from fiscal years 2009 to 2012. These calculations show that the WCPS annual PVA payments per bus were \$3,268 to \$4,137 higher than the payments would have been had the prime rate that existed at the time of purchase been used in the calculation. For example, in fiscal years 2010 to 2012, the prime rate was 3.25 percent and the ROI rate used by WCPS was 7.76 percent. The effect is that, over the 12-year life of these 25 new buses put into service by contractors since 2009, WCPS will pay out approximately \$1.1 million more than if the prime rate was used for the ROI. This analysis does not include the effects for any new bus purchases that may be made after fiscal year 2012 and the lost interest income that could have been earned by WCPS on the excess amounts paid. Although WCPS could not provide

⁴ We used the prime rate since this rate was recommended in a November 1999 study commissioned by another Maryland school system. Also, in 1975 an MSDE study recommended the prime rate as a reasonable ROI interest rate. The prime rate is actually a lending rate that nearly always exceeds the available market investment rate; therefore, it is deemed to be reasonable for the ROI calculation.

documentation, it maintains that contractors suffer losses in other areas to offset the negotiated PVA amount.

- WCPS payments to contractors for operating costs pertaining to bus maintenance were not supported (based on documented maintenance and other repair costs, for example). Furthermore, WCPS had not formally evaluated why maintenance payments to contractors were much higher than in-house maintenance costs. According to WCPS records, per mile costs for maintenance on WCPS-owned buses were \$0.43 per mile for fiscal year 2010 and \$0.44 per mile for fiscal year 2011. However, bus contractors were paid \$0.69 per mile during these fiscal years for maintenance. WCPS maintains, but could not readily support, that using their maintenance costs as a basis for maintenance payments to contractors is not appropriate because WCPS benefits from volume discounts and lower labor rates than what is charged by commercial vehicle repair facilities.
- Additionally, WCPS did not exclude from payments to bus contractors the federal fuel excise taxes. In this regard, WCPS pays contractors for fuel usage using a monthly average for diesel fuel prices (as established by an independent source) and dividing by an established miles per gallon (mpg) rate of 7mpg.⁵ However, according to federal law, WCPS contractors are exempt from the \$0.244 per gallon excise tax for diesel fuel and are able to receive a credit for federal fuel taxes paid when they file their income tax returns.⁶ As a result, if WCPS had considered this exemption in their calculation, payments to the contractors would have been lower (for example, a total of \$80,000 less during school years 2010 and 2011).

Recommendation 14

We recommend that WCPS establish payment amounts to bus contractors in a manner that ensures all costs are reasonable and necessary. Specifically, we recommend that WCPS

- a. use market investment rates as the basis for establishing contractor rates for the annual per vehicle allotment (repeat),**
- b. use actual bus operating costs as a basis for establishing contractor rates for per mile maintenance costs (repeat), and**
- c. exclude federal fuel excise taxes from contractor payments.**

⁵ The American School Bus Council reported that the national average usage for a large school bus with a diesel engine is 7 miles per gallon.

⁶ We were advised by a Comptroller of Maryland representative that there is no exemption from State fuel excise taxes for buses operated by WCPS or contractors.

Finding 15

WCPS did not verify contractor provided operational data that formed the basis for certain payments to the contractors.

Analysis

WCPS did not ensure the accuracy of self-reported contractor information that was used by WCPS to formulate payments to the bus contractors for certain maintenance and operational costs. Specifically, payment amounts for driver time and certain maintenance and operational costs were calculated using information provided by bus contractors (manifests including time and mileage) that was not verified by WCPS. Consequently, WCPS lacks assurance that payments to contractors for driver salaries, which are based on drive time, and maintenance and fuel costs, which are based on route mileage, were accurate.

Our test of route mileage for 10 buses, with annual payments for maintenance and operational costs totaling approximately \$250,000, disclosed that for 7 of the tested buses, route mileage billed during fiscal year 2011 appeared overstated in amounts ranging from 6 to 14 miles per day. Applying the fiscal year 2011 contract's mileage maintenance and operations factor to these potentially overstated miles, we estimate that WCPS could have overpaid these seven bus contractors by \$14,500 in fiscal year 2011. Based on total miles driven by bus contractors during fiscal year 2011, of the \$3.5 million WCPS paid contractors during that year, approximately \$1.4 million was for maintenance and operation costs.

Recommendation 15

We recommend that WCPS

- a. independently verify bus contractors' manifests, at least on a test basis, to ensure that the payments to the contractors accurately reflect the actual bus services provided; and
- b. document the verification process and any required payment adjustments, including the recovery of the aforementioned \$14,500.

Finding 16

WCPS did not fully use its automated routing software capabilities to develop more efficient routes or formalize certain ridership goals.

Analysis

WCPS did not fully use its automated bus routing software capabilities to develop more efficient routes. Although, WCPS' automated routing software has the capability to generate reports of bus routes with student ride times

and average bus occupancy, in practice, WCPS uses existing bus routes and makes manual modifications to accommodate students' school assignment without periodically reviewing all routes for efficiency on a system-wide basis. In addition, WCPS had not established formal bus occupancy or student ride time goals.

The lack of a system-wide route analysis could have a potentially negative impact on route efficiency. For example, our review of WCPS' fiscal year 2011 bus manifests (which are used to record student ridership) for 503 bus routes disclosed that 300 routes were below 75 percent of WCPS' informal bus occupancy goals. On 115 of these 300 routes, actual student ridership was less than 50 percent of the goals.

The use of routing software is a recognized best practice that can reduce the time it takes to design efficient routes, reduce student ride times, help ensure that routes utilize existing bus capacity, and minimize the number of buses needed to transport students.

Recommendation 16

We recommend that WCPS take steps to determine if buses can be used more efficiently. Specifically, we recommend that WCPS

- a. fully utilize its automated routing software to develop system-wide efficient bus routes, and**
- b. develop formal policies documenting WCPS goals for bus occupancy and student ride time.**

Finding 17

WCPS had not performed a system-wide cost benefit analysis of outsourcing bus services. Results of WCPS analyses of the cost to operate certain buses indicate that potentially significant cost savings could be identified from the preparation of a system-wide analysis.

Analysis

WCPS has not prepared a current cost-benefit study to determine the cost efficiency of contracting and directly owning and operating its transportation services system-wide. Currently, 35 percent of the transportation services are provided by outside contractors, while the remaining 65 percent are directly owned and operated by the school. The periodic review of costs associated with transportation functions and tasks is a recognized best practice that should be documented to help with future decision making.

WCPS performs a cost-benefit analysis when a multi-year contractor agreement is set to expire or in the event an owner or county driver retires. For example, two WCPS analyses, performed prior to the start of the 2012 academic year, when county drivers retired concluded that WCPS would save approximately \$6,000 annually per bus in operating costs by transferring the related routes to contractors and consequently the routes are now operated by contractors. The projected cost savings are primarily due to higher labor costs for WCPS bus drivers (including health insurance, retirement, and paid holidays) compared to contracted drivers. WCPS stated that although no formal system-wide analysis of using contractors versus directly owning and operating certain buses had been prepared, WCPS believed that the current practice is efficient for providing bus services throughout the county. We believe that periodically conducting a system-wide cost benefit analysis, in conjunction with the use of automated routing software (see Finding 16), could identify additional opportunities for potentially significant cost savings.

Recommendation 17

WCPS should periodically prepare a documented system-wide analysis to determine the most beneficial mix of outside bus contractors and directly owned buses.

Finding 18

Fuel purchases were not always supported or verified prior to payment.

Analysis

WCPS contracted with four vendors to provide various fuel types (heating, diesel, and gasoline) to the school system. In each instance, contract specifications indicated that pricing would be based on the average price of the fuel type, as published by a commercial service that tracks fuel prices, plus the bidder's factor, per gallon. The bidder's factor is comprised of certain costs such as freight, overhead, and federal, State, and local taxes and fees. Our test of 10 fuel purchases made during fiscal year 2011, totaling approximately \$213,000, disclosed the following:

- WCPS could not provide documentation to support the amounts charged for any of the 10 tested invoices. For example, industry reports of average fuel costs to be charged, as specified in the contracts, were not verified by WCPS. We were able to generally confirm that the prices billed by the vendors were based on the appropriate average price.
- Although we were able to generally confirm the average pricing, further review of 5 of the invoices tested from one vendor totaling approximately

\$117,500 disclosed that WCPS overpaid the vendor approximately \$600. The cause of the overpayment was due to the vendor including applicable taxes twice. The contract with this vendor has been in effect since August 2010 and, according to its records, during fiscal year 2011, WCPS paid the vendor approximately \$676,000.

As a result of these items, there was a lack of assurance that WCPS was properly verifying the propriety of fuel purchases prior to payment. According to its records, during fiscal year 2011, WCPS made payments totaling approximately \$1.6 million for fuel purchases.

Recommendation 18

We recommend that WCPS

- a. obtain and retain pricing information and use this information to verify the accuracy of prices on vendor fuel billings; and
- b. take appropriate action to recover any overpayments, including the aforementioned \$600.

Food Services

Background

WCPS has a cooking cafeteria at 23 of its schools. Food and related supplies are received and stored in each school. In fiscal year 2011, WCPS had 222 cafeteria positions (comprised of 216 cafeteria positions and 6 administrative positions). According to the fiscal year 2011 audited financial statements, food service operation revenues totaled \$11.1 million, exceeding food service operation expenditures by approximately \$423,000.

Cash Handling Procedures for Cafeteria Sales Were Established

WCPS' Board of Education has a responsibility to ensure that cafeteria sales are appropriately controlled, recorded, and safeguarded. In response to a recommendation in our preceding audit, WCPS developed the *Food & Nutrition Services Cash Register Procedures* manual to establish a uniform policy for the handling of all cafeteria sales. The *Procedures* outline responsibilities for meal counting, collections and reporting, and deposits that are applicable to every school.

School Board Oversight

Background

WCPS' Board of Education is composed of seven elected members and one non-voting student representative. In its oversight responsibilities, the Board

contracted with a certified public accounting firm for independent audits of the WCPS financial statements and federal programs. The Board is organized into five committees having oversight responsibilities for specific functional areas: Curriculum, Facilities, Finance, Human Resources, and Policy. Additionally, the Board is supported by several citizen advisory committees which provide the Board with recommendations related to their areas of specialty including Budget, Calendar, Technology, Ethics, Facilities and Enrollment, Family Life, Finance and Audit Review, and Safe Schools.

WCPS Adopted an Ethics Policy that Met the Current Requirements of State Law

The Board has adopted a detailed ethics policy that conforms to State law and includes provisions for conflicts of interest and financial disclosures.

Provisions of this policy are applicable to Board members as well as all WCPS employees. WCPS established an Ethics Panel consisting of citizen members who are not subject to the authority of the Board of Education to interpret ethics policies and provide advice on policy implementation. The Panel also reviews and rules on any reported complaints of ethics violations. According to the ethics policy, annual financial disclosure statements are required to be filed by Board members, candidates for the Board, the Superintendent, Assistant Superintendents, and a number of other administrators (such as school principals and agency buyers) by January 31st of each year. Our review of employees required to submit financial disclosure forms for calendar year 2010 indicated that the forms were submitted as required for all employees.

Other Financial Controls

As previously mentioned, WCPS self-funds health care costs. WCPS uses a third party administrator to pay claims on behalf of plan members and their dependents and pays an administrative fee for these services. Our findings in the area of health care are addressed in Findings 5 and 6 of this report. Our other work in this area disclosed that WCPS had established reasonable cash investment and risk management practices.

Audit Scope, Objectives, and Methodology

We conducted a performance audit to evaluate the effectiveness and efficiency of the financial management practices of the Washington County Public Schools (WCPS). We conducted this audit under the authority of the State Government Article, Section 2-1220(e) of the Annotated Code of Maryland, and performed it in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We had two broad audit objectives:

1. To evaluate whether the WCPS procedures and controls were effective in accounting for and safeguarding its assets
2. To evaluate whether the WCPS policies provided for the efficient use of financial resources

In planning and conducting our audit of WCPS, we focused on 11 major financial-related areas of operations as approved on September 14, 2004 by the Joint Audit Committee of the Maryland General Assembly in accordance with the enabling legislation. The scope of the work performed in each of these areas was based on our assessments of significance and risk. Therefore, our follow-up on the status of findings included in our preceding audit report on WCPS dated August 6, 2007, was limited to those findings that were applicable to the current audit scope for each of the 11 areas.

The audit objectives excluded reviewing and assessing student achievement, curriculum, teacher performance, and other academic-related areas and functions. Also, we did not evaluate the WCPS Comprehensive Education Master Plan or related updates, and we did not review the activities, financial or other, of any parent teacher association, group, or funds not under the local board of education's direct control or management.

To accomplish our objectives, we reviewed applicable State laws and regulations pertaining to public elementary and secondary education, as well as policies and procedures issued and established by WCPS. We also interviewed personnel at WCPS, the Maryland State Department of Education

(MSDE), and staff at other local school systems in Maryland (as appropriate).⁷ Our audit procedures included inspections of documents and records, and observations of WCPS operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives, generally for the period from July 1, 2009 through June 30, 2011. For certain areas within the scope of the audit, we relied on the work performed by the independent accounting firm that annually audits WCPS' financial statements and conducts the federal Single Audit.

We used certain statistical data—including financial and operational—compiled by MSDE from various informational reports submitted by the Maryland local school systems. This information was used in this audit report for background or informational purposes, and was deemed reasonable.

WCPS' management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate. In addition to the conditions included in this report, other less significant findings were communicated to WCPS that did not warrant inclusion in this report.

We conducted our fieldwork from November 2011 to July 2012. The WCPS response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise WCPS regarding the results of our review of its response.

⁷ During the course of the audit, it was necessary to contact other systems to identify policies or practices for comparative purposes and analysis.

APPENDIX



820 Commonwealth Avenue
Hagerstown, MD 21740
301-766-2800

C. Christian South
Chief Financial Officer

June 3, 2013

Thomas J. Barnickel, III, CPA
Legislative Auditor
Department of Legislative Services
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

Dear Mr. Barnickel:

Enclosed is the hard copy of Washington County Public Schools' response to the draft report of the Financial Practices Performance Audit that was issued on May 16, 2013. You should have already received the response electronically.

Please give me a call at 301-766-2827 if you have any questions or need any additional information.

Sincerely yours,

A handwritten signature in black ink that reads "C. Christian South". The signature is written in a cursive style with a large, stylized "C" and "S".

C. Christian South
Chief Financial Officer

enclosure

cc: Dr. Clayton M. Wilcox, Superintendent of Schools

Washington County Public Schools
Responses to Financial Practices Performance Audit
Page 1

Recommendation #1: With regard to recording collections immediately upon receipt, in FY2012, WCPS received approximately 98% of its revenues directly into its bank account via ACH credit. Of the remaining 2%, only \$27,000 was currency. The balance was checks, which are extremely hard to misappropriate. Nevertheless, in an effort to further strengthen control for this remaining 2%, WCPS will develop a cash receipt spreadsheet to record collections upon receipt. This log will replace the current practice in which an independent staff person runs an adding machine tape of the day's receipts to compare to the deposit total. However, WCPS would point out that internal control manuals generally indicate that running an adding machine tape of the day's receipts (WCPS's current practice) serves the same purpose as such a spreadsheet or log.

With regard to restrictively endorsing checks immediately upon receipt, WCPS will provide endorsement stamps to the various departments that have historically received checks. This will ensure that the checks can be endorsed immediately upon receipt. It will also eliminate the need for such endorsement once the checks are delivered to the central business office.

With regard to the chain of custody, when checks and/or cash are received by another department and subsequently delivered to the central business office, business office personnel now issue a receipt for the amount received.

With regard to segregation of duties, it should be noted that WCPS has a very small business office staff. This severely limits the number of individuals available to effect maximum segregation of duties for all functions of the central business office. Many staffers must be cross trained in multiple functionalities. Nevertheless, management will determine how cash receipts, deposit preparation and related accounts receivable duties can be further segregated as WCPS migrates to its new back office software system. It is important to note that WCPS does have compensating controls in place. These include 1) supervisory review of revenue accounts to compare recorded activity to expectations and budgets, 2) following up on billings to outside individuals and organizations, and 3) regularly performing timely bank reconciliations. Finally, with regard to the auditors' statement that they had advised WCPS on accomplishing the necessary separation of duties using existing personnel, the WCPS staff does not recall this discussion. We would appreciate a copy of this valuable advice.

With regard to the securing of funds, WCPS currently secures funds received in a locked safe before they are recorded and deposited. However, to enhance controls, access to the safe has now been restricted to two employees, one of whom is a director level.

Recommendation #2: Section II-B of Board Regulation DJF-R specifically delineates the competitive procurement method to be used for purchases in each of three progressive dollar amount categories. These three categories cover the gamut of all possible purchases. This regulation complies with Maryland law as defined in Section 5-112 (Bids) of the Education Article of the Annotated Code. It is also consistent with

Washington County Public Schools

Responses to Financial Practices Performance Audit

Page 2

Section 13-109 (Small Procurement) of the State Finance and Procurement Article of the Annotated Code. Regulation DJF-R applies to all purchases of goods and services except professional services, the procurement of which is addressed in a separate Board policy and exhibit.

Though not required by either policy or Maryland law, the Purchasing staff routinely invites and encourages multiple price quotes for goods and services under the \$20,000 quote threshold, if such goods and services are conducive to competition. This occurs either when the Purchasing personnel are screening requisitions for legal and regulatory compliance or when they are providing procurement instructions to the requisitioning department. Though not normally documented, Purchasing personnel also routinely use the internet to check requisitions for competitive pricing. Maintaining such flexibility and discretion for purchases up to \$20,000 by an experienced Purchasing staff member not only meets the intent of Maryland law, it is an efficient use of the Board's resources.¹

Recommendation #3: This recommendation pertains to the use of blanket purchase orders (BPO's), which are issued annually to pre-qualified vendors for unplanned, routine purchases that do not exceed \$1,000 per transaction. These purchases are necessary to expedite workflows within the Maintenance Department and the Transportation Department. Due to the nature of these purchases, which changes from year to year, WCPS cannot accurately project annual purchase amounts or even prospectively determine the specific items to be purchased. As an alternative to issuing a BPO, the Purchasing Department could require a separate requisition and PO for each of these purchases as they occur throughout the year. If WCPS opted for this alternative, none of these purchases would require a bid, because individual purchases of \$1,000 or less would be below the \$25,000 bid threshold.² Unfortunately, such a process would significantly slow down departmental workflows. WCPS still does not understand why simply aggregating these individual purchases (of \$1,000 or less) together under a single, pre-qualified, annual BPO should change the level of bid scrutiny required.

¹ Auditor's Comment: The WCPS response confirms our finding that Board policy does not require competitive procurements for goods and services under the \$20,000 threshold. Specifically, the response states that policy does not require competition, although it states that purchasing personnel routinely invites and encourages multiple price quotes, the results of which are not normally documented. Our position remains that without a written policy directing WCPS to purchase goods and services valued at less than \$20,000 via competitive procurement methods (and documentation of the bids or quotes received), the Board lacks sufficient assurance that the lowest cost and/or best value is being obtained for WCPS' purchases.

² Auditor's Comment: Our issue pertains to how blanket purchase orders (BPO) were being established and used by WCPS. WCPS' BPOs were essentially open ended directives to purchase a broad range of commodities from specific vendors without any competitive procurement and generally did not specify the items eligible for purchase, discounts to be provided, and were not approved by the Board when it was reasonable to expect purchases would exceed \$25,000 (a dollar threshold requiring Board approval). The process described above is contrary to the manner in which BPOs are established by State government agencies. Generally, State BPOs are executed after a competitive procurement process and they provide set prices, discounts, and/or quantities over the duration of the BPO.

Washington County Public Schools
Responses to Financial Practices Performance Audit
Page 3

Another alternative to the blanket purchase order model is a procurement card (P-Card) model. Unfortunately, P-Cards do not eliminate the holder's option to purchase repeatedly at the same establishment, certainly without the benefit of any bidding and possibly without the benefit of vendor pre-qualification. Additionally, a P-Card program presents a host of internal accounting control issues.

Recommendation #4: WCPS concedes that unopened bids have been kept in a lockable, but unlocked, file cabinet. However, WCPS does believe that the level of security that it is currently providing over unopened bids is adequate because, during the workday, the area is continually staffed by Purchasing Department personnel who routinely need access to other information that is stored in the file cabinet in question. The department has changed its procedure to ensure that the cabinet is locked each evening prior to departure.

Additionally, from time-to-time, there have been bid openings that were attended by only one representative from the Purchasing Department. As bid openings are open to the public and the results are immediately posted on the Purchasing website for public viewing, WCPS believes that there is minimal risk when, on occasion, only one Purchasing staffer conducts a bid opening. Nevertheless, WCPS is now providing two-deep representation from the Purchasing staff for each bid opening.

WCPS also agrees that certain bid documentation could not be located for several of the bids that the auditors sampled. However, Purchasing Department management had previously recognized this problem and implemented corrective action. Subsequent to the dates of the bids in question, but prior to the auditor's review, staff had already implemented a new tabbed bid file system. This new system provides better organization of the bid file as well as immediate recognition of missing documentation.

Recommendation #5: WCPS has maintained controls to ensure the propriety of payments for employee and retiree healthcare costs. Each year, WCPS obtains copies of the SAS70 report from each of its plan administrators. These statements, rendered by independent certified public accounting firms, attest to the sound internal controls

Washington County Public Schools
Responses to Financial Practices Performance Audit
Page 4

that the respective administrators exercise over their processing of claims, stop-loss insurance and administrative fees. Additionally, SAS70 reports can be relied upon to provide assurances that claims are being paid in accordance with WCPS plan documents and that WCPS is being billed for only those patients who are members of WCPS plans.³

Notwithstanding the above mentioned controls that are already in place, WCPS will investigate the cost to the taxpayers of engaging a firm to perform a comprehensive claims review. Staff will provide this information to the Board of Education so that it can determine whether or not to proceed, i.e., if the proposed fee is reasonable in relation to the amount of additional risk mitigation. In this regard, it should be noted that the Office of Legislative Audits, in its seven-month review of the Washington County Public Schools, did not determine that WCPS had been improperly billed by its claims administrators for *any* costs.

Recommendation #6: In 2008, WCPS did issue a health benefit Request for Proposals (RFP), or bid, that included, among other products and services, stop-loss insurance. This RFP was for a five-year term. It should be noted that, fully insured products, such as WCPS's stop loss coverage, are subject to adjustment after the first year in response to factors like inflation, advances in medical technology, and group experience. Each year, the WCPS benefits team and its benefits consultant discussed the stop loss market inflation rates in detail to ensure that any proposed annual increases were reasonable and that taxpayer funds were being spent in the most cost effective way.

Furthermore, in Section 5-112 of the Education Article of the Annotated Code, Maryland law requires that only school buildings, improvements, supplies and equipment costing over \$25,000 must be bid. As this coverage in question was originally bid and increases were annually reviewed for reasonableness, WCPS believes that it has exceeded the due diligence requirement in the law.

Nevertheless, in the fall of 2012, WCPS re-bid its stop loss coverage. The low bid for this coverage was awarded to the incumbent provider. This reinforces the efficacy of the annual review by the school system and its benefits consultant as to the reasonableness of the proposed cost increases to the stop loss coverage.

³ Auditor's Comment: Our review of a report referenced by WCPS disclosed that a comprehensive review of WCPS' health claims was not performed as asserted by WCPS, and in fact, the WCPS' third party health care administrator was not the subject of the report. Rather, the SAS70 report reviewed pertained to a service organization used by the administrator to process the claims, which did not include a comprehensive review of the propriety of the claims paid, as we have recommended. Furthermore, SAS 70 reports typically cannot be relied upon to provide assurances to the extent WCPS has asserted in its response.

Washington County Public Schools
Responses to Financial Practices Performance Audit
Page 5

Recommendation #7: With regard to verification of changes to pay rates, WCPS has begun to generate and retain reports that identify all pay rate changes. These reports will be reviewed and approved by appropriate supervisory personnel.

With regard to the review of payroll system access, it is important to note that the auditor's test of payroll changes and adjustments did not disclose any inappropriate or erroneous transactions. Nevertheless, we agree that a periodic review of payroll system access should be performed to ensure that assigned system functionalities match each individual's job requirements. WCPS recently completed a review of its payroll system access. As a result, the access level of four employees was reduced. WCPS will continue to complete these reviews on a periodic basis and will continue to assign system functions to employees based upon the capabilities they need to perform their job duties.

Recommendation #8: The payment that is afforded to WCPS employees upon retirement is a negotiated terminal employee benefit that was implemented to encourage employees to maintain good attendance and was not intended to be a payout of unused sick days. Nevertheless, "unused sick days" is clearly the most logical gauge of an employee's effort to consistently be on the job. Therefore, that is the measurement that was chosen. However, the unions and management could have selected a different standard upon which to base this calculation. Additionally, we submit that any mandated change would fall under the purview of the Public School Labor Relations Board (PSLRB) and not the State Retirement Agency. It is very important to note that, as this is a negotiated employee benefit, WCPS cannot agree to change it unilaterally. However, WCPS will discuss this negotiated terminal benefit with its unions to ascertain if an alternative that is acceptable to both parties can be determined.

Recommendation #9: WCPS has now established controls over sensitive electronic items below the \$1,000 capitalization threshold. In order to provide sufficient detail and checks and balances separate from the school personnel, WCPS has launched Microsoft's SCCM information management tool for desktops, laptops, and software inventory management. This system collects detailed information about every item on the WCPS network, tracks each device's location, and, unlike the old *Computrace* system, will generate reports by school. These reports will be sent to each tech coordinator (independent central office IT staffers) annually to verify that the physical inventory matches the electronic inventory. Similarly, the *Airwatch* inventory management tool was also recently launched to manage all mobile devices and applications. This tool, which provides additional functionalities not available on the old *Mobile Iron* system, also tracks where each device is located and provides reports by location. WCPS will maintain documentation that the reports from these systems have been independently reviewed and verified by the IT staff on a random sample basis. For added physical security, WCPS continues to store all laptop computers in locking carts

With regard to the annual physical inventory count of non-sensitive items, each year the business office provides an asset listing to the respective building administrators. Site personnel then verify the location of each piece of equipment and return the asset

Washington County Public Schools
Responses to Financial Practices Performance Audit
Page 6

listing to the Fixed Asset Specialist with any additions, deletions, or location changes. To strengthen these existing controls, beginning in the 2013-2014 school year, the Fixed Asset Specialist will independently confirm the results of inventories taken by school personnel using a random sample of items and locations.

Recommendation #10: WCPS has implemented appropriate system access, monitoring, and authentication controls per DoIT standards for network access and password controls. In addition, an Active Directory self-service password reset system has been implemented.

Recommendation #11: WCPS is currently implementing all audit recommendations related to network security. A new Juniper firewall, which includes all functionality required to meet DoIT network security standards, was installed. In addition, Plan B Technologies was contracted to access all levels of network security and to modify, as needed, to meet or exceed DoIT network security standards.

Recommendation #12: With the assistance of Plan B Technologies, WCPS is currently updating its disaster recovery plan to meet DoIT standards. Plan B Technologies has created additional automated backups and documentation for all critical components of the WCPS network. The new disaster recovery plan follows the State of Maryland's Information Technology Disaster Recovery Guidelines.

Recommendation #13: WCPS is currently developing a comprehensive maintenance and operations department procedure that describes the goals and initiatives that support the Board's policy and regulation. This procedure formalizes and documents the Maintenance and Operations Department's established energy audit practices that will be conducted at all 49 buildings. The audit process will be completed by the end of 2013.

The Energy Management Analyst will be responsible for conducting energy audits and maintaining a record of site visits. The focus of the audit will be to collect and record the current, conditions, deficiencies, utility usage, and follow-up of corrective actions. Data collected and documented from the audit procedure will be used to set goals, establish benchmarks, and develop strategies. Realistic benchmarks will be established for all buildings to reduce overall energy usage across the school system.

Recommendation #14: The WCPS Department of Transportation (DOT) will review the calculation for contractor compensation. The formula previously used by WCPS is the formula that was established by the State of Maryland in 1982 and has been used by counties across Maryland to pay contractors. The DOT has made changes to the calculation of the per vehicle allotment payment to contractors using the current average interest rates from two local banks and two school bus dealers who offer financing to contractors. It is important to note that the prime rate is a rate that is generally available to large corporate customers and is seldom available to small business owners. Their rates are based on their personal credit history and their presumed ability to repay the loan. It should be noted that WCPS's compensation to contractors is currently the third lowest in the state.

Washington County Public Schools
Responses to Financial Practices Performance Audit
Page 7

WCPS's contracted routes are those located in the outlying areas of the county, bordering the county and state lines. If WCPS assumed those routes, it would incur costs related to significant deadhead miles, the need for additional fleet technicians to perform maintenance and inspections, and potential rental fees for securing parking locations for buses. Additionally, WCPS would incur an increase in labor costs for employees resulting from payment for sick and personal leave, for substitute bus drivers, health benefits, and the expense of an additional supervisor to directly oversee those employees who currently are the employees of the contractor. To that end, WCPS believes that the contractors provide a valuable service to the school system and the current compensation to contractors is reasonable and necessary.

WCPS will continue to evaluate the calculation of compensation to contractors and will give consideration to pursuing a competitive bid process.

WCPS recognizes that there is a difference in the per mile maintenance rate for in-house repairs, as compared to the rate paid to contractors. This is a cost of doing business for the services provided to WCPS by the school bus contractor. The school system operates an eight bay repair facility for buses with technician labor rates at an average of \$40.00 per hour. It is also able to buy parts and supplies in bulk at discounted prices. To demonstrate the extent of this differential, WCPS recently completed a survey of three garages in the area to determine hourly labor rates. The average of six hourly rates for various types of repairs and diagnostics is \$123.00 per hour. Another example of cost differences is repair parts. The price of a backup alarm for WCPS is \$14.00, but, when a contractor purchases the same part from a retail vendor, the price is \$25.00. The DOT will use the in-house per mile maintenance rate as a base, survey local repair shops to obtain current rates for parts, repairs and labor, and will use the Consumer Price Index (CPI) as a reference when making adjustments.

WCPS agrees to exclude federal fuel excise tax from payments to contractors and made the change effective January 1, 2013.

Recommendation #15: WCPS DOT agrees that a formalized process for verification of routes is necessary to ensure that payments to contractors are based on the actual services provided. In order to verify actual route time and mileage payments to contractors, WCPS installed Zonar GPS units on all contractor buses in January 2013. The DOT used the data from the GPS to verify the information submitted on the March 2013 manifest for all contractor routes, and identified and corrected discrepancies. The DOT will continue to utilize the live GPS data to verify routes. The DOT will use information gleaned from the integration of routing software and GPS to determine payments to contractors. WCPS will maintain documentation of time, mileage, and adjustments to contractor payments.

Recommendation #16: WCPS DOT agrees that further utilization of the computer assisted routing software will provide opportunities to analyze and develop more efficient routes. To that end, the DOT has installed an additional software module to integrate the GPS on buses with the routing software. This integration will allow

Washington County Public Schools
Responses to Financial Practices Performance Audit
Page 8

WCPS to compare the live routes with the current designed routes. The DOT will utilize the routing software to monitor the number of eligible riders, and, when possible, adjust routes to meet the established targets for capacity.

It is important to note that some buses transport more students than the targeted capacity because students reside in a densely populated area in close proximity to the school. This allows WCPS to maximize the use of all available seats during very short rides to school. On the other hand, in areas of the county where students are sparsely dispersed along a road or entire route, a bus will not meet the targeted capacity before it exceeds the targeted ride time for delivery of students to schools. Certain road conditions, which may be hilly or narrow, and those in various states of disrepair, also contribute to the amount of time required for a bus to cover a given area to safely pick up or deliver students.

In addition, a number of buses in the WCPS fleet may not meet the targeted rider capacity as a result of staggered bell times and the number of schools that one bus will service. When transporting students to schools on multiple tiers, a single resource can provide transportation to three to five schools; however, the window of time available between tiers is minimal; therefore, the bus may not reach the targeted capacity for some routes, but could provide transportation for up to five schools. The following example details how such tiering, while not filling a bus to capacity on each tier, actually saves the system money:

A certain bus transports students to and from a first tier middle school, a second tier elementary school, a third tier high school and a fourth tier elementary school. This bus may only transport 30 elementary students on a 66 passenger bus for one of those tiers during a 25 minute window of time. If this bus spends more time on the route in order to fill the bus to capacity, then one of the schools in the tier would have to be removed from that route and assigned to another resource. As a result, more resources (buses and drivers) would be required to provide transportation to students.

The DOT has created a written procedure that establishes both targeted bus capacities and length of ride time for students.

Recommendation #17: The DOT agrees that a system-wide analysis, performed periodically, is an effective method for determining the most beneficial mix of outside contractors and public owned buses. To that end, the DOT has created a *County vs. Contractor Cost Comparison* analysis document. The DOT has now used that cost comparison document to analyze every county and contracted bus route. These comparisons demonstrate that the health benefit package that WCPS provides to eligible county drivers increases the cost of certain county routes. However, it is important to note that these longer, benefitted routes serve as a retention incentive to county drivers who continue their employment in hopes of eventually moving into a route that will make them eligible for benefits. Given the results of the analysis, WCPS does not believe it is a good business decision to implement an immediate, system-wide change that would potentially put contractors out of business or put

Washington County Public Schools
Responses to Financial Practices Performance Audit
Page 9

county employees out of work. More importantly, as the largest employer and corporate citizen in Washington County, WCPS has an ethical obligation to its current employees and bus contractors that outweighs the recommendation to immediately achieve an optimal mix of contractors versus county runs. Therefore, in an effort to phase in this analysis, the DOT now analyzes every open contract route and every open county route using the cost comparison document to make the best business decision. The DOT recognizes that the payments to some contractors may appear, from the cost comparison calculations, to be slightly higher than what the cost would be for the county to operate the route. However, the location of the route in relation to current WCPS bus parking facilities, and the fact that every bus added to the county fleet increases the ratio of fleet technicians to equipment, will factor into the cost for the county to operate the route. Adding buses to the county fleet will eventually require additional parking facilities, additional fleet technicians and potentially additional buildings to maintain, repair and operate those routes.

If the DOT uses cost as the only determining factor for route operations and the county assumes more routes, the current shortage of certified school bus drivers will become a much larger concern for WCPS. For much of the current school year, DOT staff and fleet technicians have been required to drive routes due to high absenteeism and limited number of qualified substitute drivers. However, under the current arrangement, the contractors are responsible for finding their own drivers for routes and for substitute coverage. The DOT has tried many driver recruitment efforts with minimal results. Therefore, WCPS believes that there is a cost benefit to the current mix of outside contractors and directly owned buses.

Recommendation #18: We agree with the need to keep OPIS pricing information on file and use it to verify invoice prices. WCPS does this on an ongoing basis. However, in an effort to save the taxpayers money, WCPS (a component unit of the county government) and the county government had a long-standing practice of sharing the county's OPIS subscription. The county received the OPIS reports and provided OPIS pricing summaries to WCPS via e-mail. The Supervisor of Purchasing then retained these OPIS summaries in electronic format. Regrettably, subsequent to the period that was audited, WCPS changed e-mail vendors and a series of archived 2008 OPIS price summaries could not be retrieved from the archive files of the previous e-mail system. Consequently, at the time of the audit in 2012, certain OPIS pricing summaries were not available in WCPS files for the auditors to verify 2008 prices. WCPS subsequently found that the county government staff retains all OPIS reports and that they could have been available at any time for audit purposes. This was communicated to the auditor.

In response to this finding, WCPS has purchased its own OPIS subscription at a cost of nearly \$1,500 per year and now maintains all of the OPIS reports in-house. WCPS continues to use these reports to verify the accuracy of billings for all fuel types prior to paying invoices. The Energy Management Analyst and the Accounts Payable Department are working closely to ensure that all invoices have been verified prior to payment.

Washington County Public Schools
Responses to Financial Practices Performance Audit
Page 10

With regard to the billing error noted by the auditor, the Purchasing Supervisor is working with the company in question to obtain the \$600 refund/credit. Staff also checked past invoices for similar errors and found none.

AUDIT TEAM

Stephen C. Pease, CPA
Audit Manager

Richard L. Carter, CISA
Stephen P. Jersey, CPA, CISA
Information Systems Audit Managers

John F. Nogel, CPA, CFE
Senior Auditor

John C. Venturella
Information Systems Senior Auditor

Cristen M. Ervin
Kevin J. Mercer
Ryan P. Stecher
Staff Auditors

Christopher D. Jackson
Information Systems Staff Auditor