

**Board of Education of
Baltimore County
Office of Internal Audit**

**Report
Project 4-2020.003
October 5, 2020**



**Office of the Superintendent
Non-Salary Expenditure Review**

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Background and Scope

On April 9, 2019, UHY Advisors issued a *Report on Procurement Activities, Specified Contracts, Travel Expenses, and Other Charges* to the Superintendent and Members of the Board of Education of Baltimore County. The report identified one finding and 12 observations related to Baltimore County Public Schools (BCPS) procurement activities for the period January 1, 2012 through December 31, 2017. BCPS management provided responses to the finding and observations prior to the issuance of the report. Management's responses detailed its corrective action planned.

As part of the Office of Internal Audit's (Internal Audit) FY20 plan to monitor management's corrective action taken, Internal Audit reviewed all non-salary expenditures for the Office of the Superintendent¹ for the period July 1, 2019 – December 31, 2019 for compliance with current school system guidance.

Summary of Results

Internal Audit identified two results related to the Office of the Superintendent non-salary expenditures:

1. Payments were not approved by the Superintendent or Board Chair.
2. Procedures for procurement card purchases were not followed.

Current Guidance

Internal Audit provided references to any current school system guidance that may be related to the result.

Potential Risks

Internal Audit identified potential risks to the school system should the conditions continue to exist, however, the list is not meant to be all inclusive.

Recommendations and Superintendent's Response

Internal Audit provided recommendations to improve compliance and reduce risk. The Superintendent provided responses to the recommendations.

¹ The Superintendent, Chief of Staff, and their Senior Executive Assistants are authorized to spend from the Office of the Superintendent's operating budget.

Result #1

Payments were not approved by the Superintendent or Board Chair:

1. The Senior Executive Administrative Assistant prepared and approved a reimbursement request for the Superintendent's moving expenses; however, it should have been approved by the Board Chair.
2. The manager of the Human Resources Department of Staff Relations and Employee Performance Management (HR Staff Relations) approved a check request for \$75, to pay for meals for the Superintendent for the Maryland Negotiation Service Fall Conference. However, the manager of HR Staff Relations is not the account manager for the Superintendent's budget.

CURRENT SCHOOL SYSTEM GUIDANCE

1. Per the *Office of Accounting and Financial Reporting Procedures* manual: Page 2-26, "The Check/Reimbursement form must be properly prepared and approved by the appropriate account manager."
2. Per the *Office of Purchasing Procedures* manual, Procedure No. 3210.020, Functions of the Account Manager, "1.0 The Account Manager shall perform the following functions as part of the procurement process.... 1.3 Review and authorize all budgetary expenditures."
3. Although current guidance does not specifically address the approval of the Superintendent's reimbursements, it implies that the Board Chair should approve all reimbursements made directly to the Superintendent.

POTENTIAL RISK(S)

1. When the Board Chair does not review and approve all requests for reimbursement to the Superintendent:
 - a. Unauthorized or fraudulent payments can be made
 - b. Accountability and transparency may be reduced
2. When the Superintendent does not review and approve purchases made against his budget:
 - a. Unauthorized or fraudulent purchases can be made
 - b. Extraneous, duplicate or overpayments can occur
 - c. Overspending can occur

RECOMMENDATION(S) AND SUPERINTENDENT'S RESPONSE

1. Approvals should be based on current school system guidance:
 - a. The Superintendent should review and approve, by signature, all requests for payment from his budget.

Superintendent's Response

All budgetary funds for the Office of the Superintendent including, but not limited to check/reimbursement forms and purchase orders, will be approved by the Superintendent in accordance with policies and accounting procedures.

- b. The Board Chair should review and approve, by signature, all requests for reimbursement to the Superintendent.

Superintendent's Response

All requests for reimbursement for the Superintendent will be reviewed and approved by the Board Chair by signature.

2. Consider the implementation of an electronic document signature system to facilitate efficient processing of financial documents.

Superintendent's Response

The Superintendent will take this recommendation under advisement. At this time, the Superintendent will sign financial documents using his "wet" signature in accordance with the *Office of Accounting and Financial Reporting Procedures*.

3. Review current guidance to determine if procedures need to be clarified or updated.

Superintendent's Response

In accordance with Policy 8221, *Board Officers – Chair, Vice Chair Duties*, the Board Chair shall "Execute documents on behalf of the Board." Requests for reimbursements fall into this category as the Superintendent reports directly to the Board of Education as a whole.

Result #2

Procedures for procurement card purchases were not followed:

1. The Board Chair did not indicate the date on any of the 14 Superintendent's Cardholder Activity Reports that she reviewed and approved².
2. The BCPS Missing Receipt Form was not used to document any of the five transactions when original receipts were not available. Although the Senior Executive Assistant documented her attempt to obtain receipts, the document she used did not contain the required information³. Specifically, the document did not include a certification statement or the signature of the approving official.
3. Comments to document details for approved overnight travel expenses, such as the name of the traveler, destination, and dates of applicable travel, were not provided in the USBank Access Online system.

CURRENT SCHOOL SYSTEM GUIDANCE

Per the *Procurement Card Policy and Procedures Manual*:

1. Page 8, Approving Official Responsibilities, Section 3 – 11th bullet, "Upon completion of review, sign and date the Cardholder Activity Report indicating approval."
2. Page 18, Frequently Asked Questions, "What should I do if I lose a receipt? Contact the vendor to obtain a duplicate copy. If you cannot obtain one, complete a *Missing Receipt Form* and save this documentation with your records." A copy of the form is provided on page 24 of the manual.
3. Page 16, Section III.g., "It is suggested that cardholders use the comments tab in Access Online to record the name(s), destination, and dates of the applicable travel."

POTENTIAL RISK(S)

1. When procurement cardholders and approving officials do not follow current school system guidance:
 - a. Timeliness of approvals cannot be verified; therefore, audit trails are compromised.
 - b. Fiscal compliance can be compromised.
 - c. Unauthorized or fraudulent purchases can be made.

RECOMMENDATION(S) AND SUPERINTENDENT'S RESPONSE

1. Cardholders and approving officials should follow current school system guidance:
 - a. The Board Chair should date the Superintendent's Cardholder Activity Report to document the timely approval of procurement card purchases.

² Timely review and approval of credit card transactions was noted in the UHY report as Observation 8.

³ Credit card transaction documentation quality was noted in the UHY report as Observation 10.

Superintendent's Response

All procurement activity logs for the superintendent signed by the Board Chair will be dated.

- b. The Superintendent and the Senior Executive Assistant should ensure that the Missing Receipt Form is used, reviewed and signed when original receipts are not available.

Superintendent's Response

The Office of the Superintendent will use the Missing Receipt Form in the event that receipts are not received or are lost.

- c. The Superintendent, Chief of Staff and their Senior Executive Assistants should ensure that travel details are included in the Access Online system.

Superintendent's Response

Details regarding the superintendent's overnight travel and expenses will be documented in the US Bank Access online system.