

Financial Management Practices Audit Report

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Prince George's County Public Schools

March 2019

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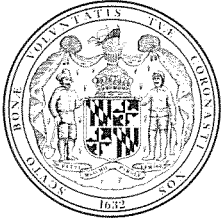
**OFFICE OF LEGISLATIVE AUDITS**  
**DEPARTMENT OF LEGISLATIVE SERVICES**  
**MARYLAND GENERAL ASSEMBLY**

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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

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March 11, 2019

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Legislative Auditor

Senator Craig J. Zucker, Co-Chair, Joint Audit Committee  
Delegate Shelly L. Hettleman, 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 Prince George's County Public Schools (PGCPS) 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 PGCPS' 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, in a number of financial areas, PGCPS needs to establish better procedures and internal controls and ensure those processes are effectively operating to comply with its policies and to control costs.

PGCPS did not maintain required documentation justifying the use of sole source procurements or the benefits of using intergovernmental cooperative purchasing agreements (ICPAs) as required by State Law. The required justification was not documented for 13 of the 15 sole source contracts we tested totaling \$6.8 million and PGCPS had not documented the benefits for one ICPA contract, from which PGCPS has procured goods and services valued at \$34.8 million since its inception in 2014. Additionally, PGCPS did not always obtain required Board approval for contracts and did not always document its reasons for awarding competitively bid contracts to vendors that were not the most qualified or the lowest cost bidders. Specifically, 32 contracts totaling \$43.1 million were not submitted to the Board for review and approval and 2 of these contracts were awarded to vendors that were either not the most qualified (per the bid evaluation results) or the lowest cost bidders.

We found that personnel and payroll transactions recorded in the automated human resources system lacked required documented supervisory approvals, including changes to personnel information, salary adjustments, and special payouts. For example, supervisory review and approval of manual payroll adjustments for one-time payments to individuals were not required by PGCPS policy nor were they performed. Furthermore, PGCPS lacked a policy requiring the justification or rationale for executive employee salary increases and there was no policy requiring that such increases be reported to the Board. During fiscal year 2017, 13 executive employees had salary increases ranging from 2 percent to 20 percent totaling \$157,103. Our review disclosed a general lack of justification for the salary increases totaling \$131,714 for 11 of the 13 employees. Finally, PGCPS did not adequately limit authorized users' capabilities on the automated payroll system. For example, 373 supervisors (such as, principals and management personnel) had the ability to unilaterally enter and approve changes to the automated timecards (such as adding overtime) without an independent review of the changes for propriety.

Our review of PGCPS' use of a facility project delivery method called Job Order Contracting (JOC), which enables the school system to expeditiously repair, maintain, rehabilitate, or construct buildings, and upgrade mechanical systems, disclosed that it did not follow best practices for selecting pre-approved vendors for task orders. Additionally, PGCPS did not adequately review price quotes submitted by JOC vendors selected for task orders. Consequently, we found that approved task orders sometimes contained questionable or unsupported costs. For example, for six task orders totaling \$12.2 million that we reviewed, the related price quotes included items totaling \$2.8 million for which there was no documentation supporting the quoted price. PGCPS began using JOC in 2012, and as of February 2018, 130 task orders totaling \$95.1 million had been awarded.

We also identified significant security and control risks that existed within PGCPS' computer systems and network. For example, certain application databases were not configured to log all critical security activity, and account and password controls were not adequate. Additionally, certain publicly accessible servers were not isolated in a separate protected network zone and an intrusion detection prevention system was not properly configured to protect the PGCPS network. Furthermore, PGCPS did not ensure that malware protection software was installed, current, and operational on all active computers.

Furthermore, we found deficiencies that will require PGCPS to enhance internal controls and accountability for equipment and certain cash receipts. In

addition, we believe that bus fleet efficiency could be improved by the use of its existing automated bus routing software.

Finally, our audit included a review to determine the status of the 23 findings contained in our preceding audit report. We determined that PGCPS satisfactorily addressed 9 of these findings. The remaining 14 findings are repeated in this report.

PGCPS' response to this audit is included as an Appendix to this report. We reviewed the response and noted general agreement to our findings and recommendations, and we will advise the Joint Audit Committee of any outstanding issues that we cannot resolve with PGCPS. In accordance with our policy, we have redacted the names of any private companies or products mentioned by PGCPS in this document.

We wish to acknowledge the cooperation extended to us during our audit by PGCPS, and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a long horizontal flourish at the end.

Gregory A. Hook, CPA  
Legislative Auditor

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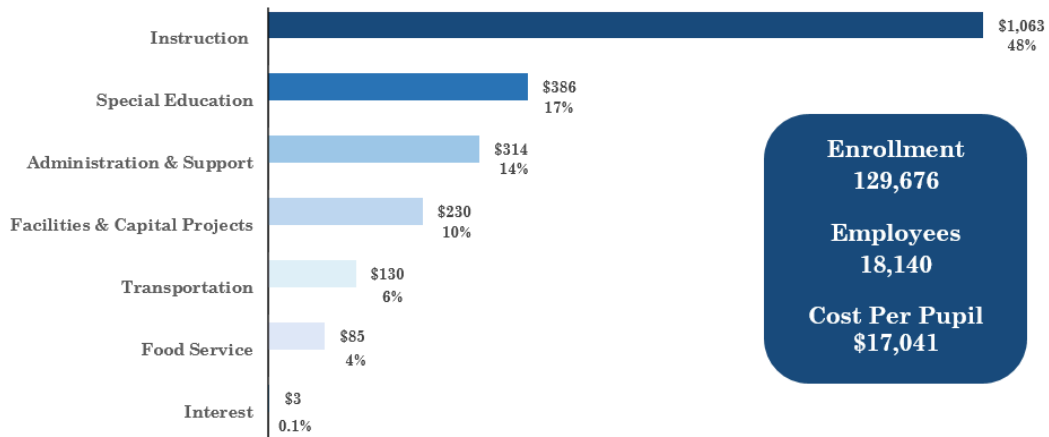
# Background Information

## Statistical Overview

According to student enrollment records compiled by the Maryland State Department of Education (MSDE), Prince George’s County Public Schools (PGCPS) ranks 2<sup>nd</sup> in student enrollment among the 24 public school systems in Maryland. Fiscal year 2016 full-time student enrollment was 129,676 students. PGCPS had 209 schools, consisting of 116 elementary, 5 intermediate, 24 middle schools, 22 high schools, and 42 other types of schools (including vocational and special). Ten of these schools were charter schools.

According to PGCPS’ fiscal year 2016 audited financial statements, revenues and expenditures were \$2.1 billion and \$2.2 billion, respectively. The largest expenditure category was salaries and wages, including benefits, which accounted for approximately 77 percent of total expenditures during fiscal year 2016. See the chart below for PGCPS’ expenses by category in fiscal year 2016 according to its audited financial statements. According to MSDE records, as of October 2016, PGCPS had 18,140 full-time equivalent positions, which consisted of 11,665 instructional and 6,475 non-instructional employees.

**Summary of PGCPS’ Expenditure and Selected Statistical Data  
Fiscal Year 2016  
(amounts in millions)**



Source: PGCPS’ Fiscal Year 2016 Audited Financial Statements and MDSE Data

## **Oversight**

PGCPS is governed by a local school board, consisting of 14 members (nine elected members from the different school board districts, three members appointed by the Prince George's County Executive, one member appointed by the Prince George's County Council, and one student member with partial voting rights). The State and the Prince George's County governments provide the vast majority of PGCPS 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 PGCPS to comply with the requirements and mandates of federal law. Except for its Board member appointments, the Prince George's County government exercises authority over PGCPS primarily through the review and approval of PGCPS' annual operating and capital budgets.

## **External Audits**

PGCPS engages a certified public accounting firm to independently audit its annual financial statements. Additionally, the auditor conducts what is referred to as a Single Audit of PGCPS federal grant programs (as required by federal regulations). We reviewed the resulting financial statement audit and Single Audit reports for fiscal years 2015 and 2016, and examined the related work papers for fiscal year 2016, which were the latest available at the time we performed our audit fieldwork.

There were similarities between the work of the independent certified public accounting firm that audited PGCPS' financial statements and conducted the Single Audit, and the risks and scope of our audit in certain areas. As a result, we reduced the scope of our audit work related to certain revenues, including State and local government revenues received via wire transfer, accounts receivable, and federal grant activity.

## **Status of Findings From Preceding Audit Report**

Our audit included a review to determine the status of the 23 findings contained in our preceding audit report dated February 19, 2014. We determined that PGCPS satisfactorily addressed 9 of these findings. The remaining 14 findings are repeated in this report as noted in the following table.

## Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	Segregation of duties over the enrollment, collection, and deposit functions in the Before and After Care Program were inadequate.	<b>Repeated</b> (Current Finding 1)
Finding 2	PGCPS did not ensure the propriety of certain disbursements.	<b>Repeated</b> (Current Finding 2)
Finding 3	PGCPS did not maintain required documentation justifying the use of sole source procurements.	<b>Repeated</b> (Current Finding 2)
Finding 4	Internal controls over payroll and personnel transactions were not adequate in the central office and at various departments.	<b>Repeated</b> (Current Finding 4 & 5)
Finding 5	PGCPS did not implement adequate processes to prevent or timely detect overpayments to employees.	Not repeated
Finding 6	PGCPS did not have a policy to support the method used to calculate leave payouts upon employee separation.	Not repeated
Finding 7	PGCPS paid for the use of donated sick leave totaling \$2.4 million in excess of contributions to the sick leave banks.	Not repeated
Finding 8	Internal controls and record keeping for certain transportation department employees were not adequate.	<b>Repeated</b> (Current Finding 6)
Finding 9	PGCPS equipment inventory records were not comprehensive or complete.	<b>Repeated</b> (Current Finding 9)
Finding 10	Physical inventories of equipment were not conducted regularly and policies were not established for performing inventories.	<b>Repeated</b> (Current Finding 8)
Finding 11	PGCPS did not ensure that employee access to its automated financial system was appropriate.	<b>Repeated</b> (Current Finding 13)
Finding 12	Inadequate controls over databases resulted in security vulnerabilities.	<b>Repeated</b> (Current Finding 10)
Finding 13	PGCPS did not have a disaster recovery plan.	Not repeated
Finding 14	The PGCPS network was not properly secured.	<b>Repeated</b> (Current Finding 11)

## Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 15	PGCPS did not adequately document preventive maintenance work performed.	<b>Repeated</b> (Current Finding 17)
Finding 16	Energy performance contracts lacked necessary specificity to ensure timely completion and realization of expected savings.	<b>Repeated</b> (Current Finding 16)
Finding 17	PGCPS did not always obtain adequate assurance that payments were for proper amounts or for services provided in accordance with the approved energy performance contract.	Not repeated
Finding 18	PGCPS paid higher prices for certain projects than specified in the energy performance contracts.	Not repeated
Finding 19	PGCPS did not implement certain practices to promote more efficient use of its bus fleet.	<b>Repeated</b> (Current Finding 19)
Finding 20	PGCPS did not adequately control access to the automated fuel dispensing system.	<b>Repeated</b> (Current Finding 18)
Finding 21	PGCPS has not determined if various cost saving measures have had the expected results.	Not repeated
Finding 22	PGCPS did not implement risk management strategies to identify, monitor, mitigate, or prevent risk factors.	Not repeated
Finding 23	PGCPS did not take sufficient actions to control health care costs.	Not repeated

# Findings and Recommendations

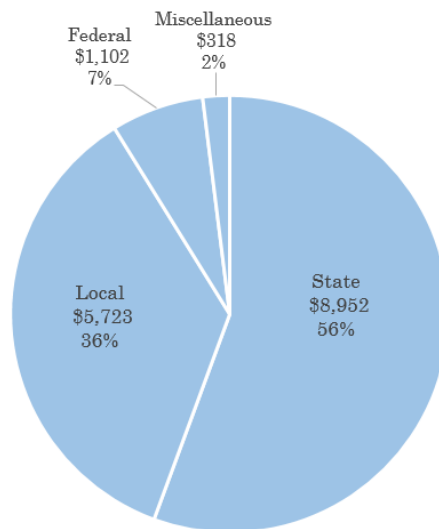
## Revenue and Billing Cycle

### Background

Prince George’s County Public Schools (PGCPS) revenues consist primarily of funds received from the State, Prince George’s County, and the federal government. According to the PGCPS audited financial statements, revenues from all sources totaled \$2.1 billion during fiscal year 2016; including \$1.2 billion from the State. See the Chart below for PGCPS’ revenues sources per enrolled student in fiscal year 2016, according to its audited financial statements.

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**PGCPS’ Revenue Sources Per Enrolled Student  
Fiscal Year 2016**



**Source:** PGCPS’ Fiscal Year 2016 Audited Financial Statements

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In addition, schools collect funds for other purposes such as student activities, clubs, and school publications. Because they are not considered school revenue, these school activity funds are accounted for separately by each school and reported in summary in the audited financial statements. Although this revenue is raised through student-related activities, PGCPS has a fiduciary duty to safeguard these funds. For fiscal year 2016, school activity fund collections totaled \$16.1 million and the June 30, 2016 balance was \$13.2 million.

## **External Audits**

There were similarities between the work of the independent certified public accounting firm that audited the PGCPS financial statements and the objectives of our audit of certain revenue activities. As a result, we reduced the scope of our audit work related to State and local government revenues received via wire transfer and accounts receivable for which the auditor's procedural review and testing disclosed no material weaknesses or significant deficiencies.

## **Reviews of School Activity Funds**

PGCPS' internal auditor conducts audits of school activity funds to determine whether proper controls have been established over collections and disbursements, and if funds have been properly accounted for. The audits of the school activity funds at PGCPS schools identified some control weaknesses at certain schools that were addressed by school management. The internal audit reports we reviewed disclosed that internal control weaknesses identified were not prevalent. The internal auditor audits all schools' activity funds on a rotating basis and reports its findings to the school principals, central administrative staff, and the Board.

### **Finding 1**

**Existing procedures and controls were not adequate to ensure that proper amounts were received and all collections were deposited for the Before and After School Care Extended Learning Program.**

### **Analysis**

PGCPS implemented certain procedures and controls over the Before and After School Care Extended Learning Program (BASELP); however, they were not adequate to ensure proper amounts were received and all collections were deposited. Specifically, BASELP coordinators had complete control over the cash receipts process since they enrolled individual students, collected and deposited tuition payments made by check or money order, and maintained all related student records.

According to PGCPS records, as of December 2018, there are 54 BASELP sites with approximately 2,000 enrolled students. Payment for participating students is in the form of checks, money orders, or on-line payment. The checks or money orders are received by the program coordinators and are to be deposited in a separate bank account maintained for each BASELP location. In addition, each location manually maintains its own records, with BASELP coordinators forwarding certain documentation, including weekly reports of enrollment, validated deposit slips, and bank reconciliations to a central BASELP office.

Although personnel at the central office applied certain processes, such as reviewing validated deposit slips and bank reconciliations, and comparing expected revenue (based on enrollment data) to actual revenue these processes did not ensure that the proper amount of collections were received and deposited for each enrolled student. For example, our review of available program enrollment and related revenue records at the central office for one school in fiscal year 2017 disclosed that total revenue received of \$125,300 was less than the \$148,300 of expected revenue based on reported enrollment from the BASELP coordinator (a difference of approximately \$23,000). However, due to the lack of supporting documentation, we were unable to determine the specific reason(s) for the noted difference, as certain relevant deposit and enrollment records could not be located by central office staff. In addition, central office staff could not explain the difference in light of its own policy to perform such a comparison.

According to PGCPS records, BASELP revenue for fiscal year 2017 totaled \$6.2 million, of which approximately 85 percent was collected via credit card and 15 percent (or almost \$1 million) was collected via money order/check. A similar condition was commented upon in our two preceding audit reports.

#### **Recommendation 1**

**We recommend that PGCPS establish proper controls over the enrollment, collection, and deposit functions of the BASLEP (repeat). Specifically, PGCPS should establish a centralized enrollment function at the central program office and reconcile program revenue collected and deposited to enrollment records on a periodic basis, with any revenue discrepancies being investigated.**

## **Federal Funds**

### **Background**

PGCPS receives funds pertaining to federal government programs that are generally restricted for use for a specific program (such as the School Lunch Program or special education). According to the audited Schedule of Expenditures of Federal Awards, fiscal year 2016 expenditures totaled \$142.3 million, not including federally funded fee-for-service programs such as Medicaid reimbursement for special education services.

## **Single Audit Report Disclosed No Reportable Conditions Regarding Federal Grant Management**

Due to work performed by the independent certified public accounting firm that conducted the Single Audit of PGCPs' federal grants for fiscal years 2014 to 2016, and the objectives of our audit in this area, we reduced the scope of our audit work related to federal grants. Besides expressing an opinion on PGCPs' compliance with the terms of several grant programs, the auditor also considered the existing internal control structure's impact on compliance and audited the required Schedule of Federal Awards (which includes claimed and reported grant expenditures) for fiscal years 2014 to 2016. The related reports stated that PGCPs complied, in all material respects, with the requirements applicable to its major federal programs. With respect to internal controls over compliance with, and the operation of, major federal programs, the auditors did not identify any material weaknesses or significant deficiencies.

## **Medicaid Funds Were Requested for Eligible Services**

PGCPs had established a procedure to identify children eligible for Medicaid-subsidized services and the services rendered. Medicaid is an entitlement program for which certain service costs can be reimbursed to PGCPs. Medicaid activity is not covered by the Single Audit of federal grants.

In addition to our review, we noted that the Maryland State Department of Education's Interagency Medicaid Monitoring Team (IMMT) issued a report in July 2017 of the results of IMMT's review of 60 student's case files for 24 criteria (including the correct billing of Medicaid for eligible services). The report found that PGCPs was in 100 percent compliance with 21 criteria and between 94 percent and 99 percent in compliance with the remaining 3 criteria. According to the audited financial statements, PGCPs received approximately \$6.4 million in Medicaid funding during fiscal year 2016.

## **Procurement and Disbursement Cycle**

### **Background**

According to the audited financial statements and PGCPs records, non-payroll disbursements totaled \$502.7 million during fiscal year 2016. PGCPs uses an automated system for purchasing and disbursements. Requisitions entered via the system by departments are subject to on-line departmental and purchasing office approval. Approved requisitions are then converted to purchase orders by the purchasing office, which also generally handles the solicitation, bid evaluation, and establishment of contracts. The receipt of goods and services is entered into the automated system by the receiving



school or department. Payments are then processed by the Finance Office through an automated system that matches receiving reports to appropriate purchasing documents and then prints vendor checks and posts the payment to the financial records.

PGCPS' written procurement policies require that procurements over \$15,000 be competitively bid in accordance with Section 5-112 of the Education Article of the Annotated Code of Maryland. Contracts and agreements over \$25,000 are to be approved by the Chief Financial Officer and the Board.

#### **Finding 2**

**PGCPS did not maintain required documentation justifying the use of sole source procurements or the benefits of using intergovernmental cooperative purchasing agreements (ICPAs) as required by State Law, and did not ensure that ICPA-related invoice pricing agreed to the ICPA.**

#### **Analysis**

PGCPS did not maintain required documentation justifying the use of sole source procurements and its policy did not necessitate documenting the benefits of using an ICPA, which is required by State Law. In addition, PGCPS did not agree invoice pricing to the related ICPAs to ensure that all discounts were received.

#### **Sole Source Contracts**

PGCPS did not document the rationale for its sole source contract determinations. We tested 15 sole source contracts totaling \$6.9 million and found that for 13 contracts totaling \$6.8 million, the required justification was not documented. PGCPS' procurement policy allows for sole source contracts when it is determined that only one vendor can provide the goods or services, it is in PGCPS' best interest to award a contract without a competitive solicitation, the contract is for an emergency, or the contract is in connection with certain specialized services (including consulting). The Policy requires the preparation of a written justification to document the reason(s) for not competitively bidding contracts. A similar condition regarding the documentation of the rationale for sole-source procurements was commented on in our two preceding audit reports.

Furthermore, PGCPS did not identify or otherwise track the type of procurement method it used for awarding contracts. Consequently, we could not readily determine the number and value of sole source contracts since the PGCPS procurement recordkeeping system did not identify the type of procurement method used for each awarded contract. Based on our limited review of PGCPS' procurement records, we identified 38 sole source contracts

totaling \$7.9 million during the period from March 2015 to December 2017. Due to the aforementioned lack of procurement-type specificity in the records, we could not determine that the number and value of identified sole source contracts were reliable or complete.

#### Intergovernmental Cooperative Purchasing Agreements

Our review of one ICPA contract, from which PGCPs had procured goods and services valued at \$34.8 million since its inception in 2014, disclosed that PGCPs had not documented the benefits of using the ICPA. Upon our inquiry, PGCPs advised us that it is not its practice, nor its policy, to document the benefits for the use of ICPAs. However, State law requires a written determination of the benefits of using an ICPA. The law, which legal counsel to the Maryland General Assembly advised us is applicable to local education agencies, allows the use of cooperative purchasing arrangements or ICPAs only after the using entity has determined in writing that the use of such arrangements will provide cost benefits, promote administrative efficiencies, or promote intergovernmental cooperation<sup>1</sup>.

During our test of four ICPA contracts totaling \$18.6 million, we found that that PGCPs did not verify that the related invoices were proper for three contracts totaling \$1.9 million. Our test of five invoices totaling \$367,658 for these contracts disclosed that the prices invoiced were either not discounted in accordance with the contracts or PGCPs could not determine if the invoices were properly discounted, as the related contracts were not on file. For example, we estimated that PGCPs overpaid \$2,161 (12 percent) for two invoices totaling \$18,788 related to an ICPA for bus parts.

#### **Recommendation 2**

##### **We recommend that PGCPs**

- a. ensure that sole source contract determinations include appropriate information to document the rationale for not performing a competitive procurement as required by policy (repeat),**

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<sup>1</sup> Section 13-110 of the State Finance and Procurement Article, of the Annotated Code of Maryland in part, defines an intergovernmental cooperative purchasing agreement (ICPA). As defined, an ICPA is a contract that is entered into by at least one governmental entity in a certain manner, that is available for use by the governmental entity entering the contract and at least one additional governmental entity, and that is intended to promote efficiency and savings that can result from intergovernmental cooperative purchasing. The aforementioned law applies to all ICPAs regardless of the services, goods, or commodities purchased. In addition, Section 5-112(a)(3) of the Education Article, of the Code provides that local education agencies do not need to conduct competitive procurements for goods and commodities if they use a contract awarded by public agencies or intergovernmental purchasing organizations and the lead procuring agency followed public bidding procedures.

- b. track the procurement method used for each contract to enable identification and to aid in verifying compliance with existing policies,
- c. comply with State law and ensure that a written determination is prepared of the benefit of using all ICPAs, and
- d. ensure that invoices for ICPAs reflect the proper discounts provided for in the contracts.

### **Finding 3**

**PGCPS did not always obtain Board approval for contracts and did not always document its reasons for awarding competitively bid contracts to vendors that were not deemed the most qualified or the lowest cost bidders.**

### **Analysis**

PGCPS did not always obtain Board approval for contracts valued in excess of \$25,000, as required by its policy, and did not always document its reasons for awarding competitively bid contracts to vendors that were not deemed the most qualified or the lowest cost bidders. Our test of 34 contracts totaling \$48.4 million procured since fiscal year 2015, disclosed the following conditions:

- Thirty-two contracts, 13 of which were sole source contracts and did not have proper justification as noted in Finding 2, totaling \$43.1 million were not submitted to the Board for review and approval. According to PGCPS' *Purchasing Manual*, contracts of \$25,000 or more for supplies, equipment, services, architectural, engineering, professional service contracts, inspection related services, construction or construction management services must be approved, in writing, by the Board.
- Two of the aforementioned contracts that were not submitted to the Board, were awarded to vendors that were not deemed the most qualified (per the bid evaluation results) or the lowest cost bidders. In one case, a \$1.3 million contract was awarded to a vendor despite another vendor having the highest technical ranking and lowest cost bid. In the second case, PGCPS lowered its minimum technical qualification threshold after opening bids for a service contract to be awarded to multiple vendors, who would then be awarded specific work based on task orders. Although a number of qualified vendors existed, four vendors were selected that did not meet the initial technical qualifications. For these procurements, totaling \$4.5 million, documented explanations were not on file to justify these awards, which appeared to be inconsistent with the related bid evaluation process.

### Recommendation 3

We recommend that PGCPs

- a. obtain Board approval for contracts totaling \$25,000 or more as required, and
- b. ensure that contract awards are consistent with established bid evaluation criteria for technical qualifications and price.

## Human Resources and Payroll

### Background

Payroll expense represents the largest single cost component in the PGCPs budget. According to PGCPs' fiscal year 2016 audited financial statements, expenditures totaled approximately \$2.2 billion of which salaries, wages, and benefits accounted for approximately 77 percent. According to Maryland State Department of Education reports, as of October 2016, PGCPs had 18,140 full-time positions, which consisted of 11,665 instructional positions and 6,475 non-instructional positions.

PGCPs uses an automated system to maintain human resources information, record employee time, track leave usage, and process and record payroll transactions. The system also generates payroll checks and direct deposit advices. Individual departments and schools are responsible for processing automated timesheets and leave data for employees. Payroll processing involves both automated processes (such as compiling leave and running edit reports) and manual processes (such as data entry of new employee information).

### Finding 4

**PGCPs did not establish adequate internal controls over its automated human resource and payroll system, as user capabilities were not properly limited and supervisors were tasked with routinely approving an excessive number of time records.**

### Analysis

PGCPs did not establish adequate internal controls over its automated human resource and payroll system.

- PGCPs did not adequately limit authorized users' capabilities on the automated system. As of August 2017, we found that 373 supervisors (such as, principals and management personnel) had the ability to unilaterally enter and approve changes to the automated timecards (for

example, adding overtime) without an independent review of the changes for propriety. PGCPs advised us that these supervisors have this ability in order to serve as backup timekeepers. While the supervisors cannot self-initiate and approve changes to their own time, they are able to do so for any employees under their authority. With supervisory user access, changes made are not subject to routine review and approval as is the activity posted by regular timekeepers.

- Supervisors were often responsible for approving an excessive number of employee timecards within the system each pay period. Specifically, as of June 16, 2017, there were 401 supervisors with timecard approval responsibility; however, we found 1 supervisor approving 302 timecards, 15 supervisors approving between 200 and 300 timecards, and 27 supervisors approving between 100 and 200 timecards each pay period. The average number of timecards approved by a supervisor was 48.

PGCPs policy states anyone who is approving timecards should be certifying the timecard agrees to source documentation and the supporting documentation should be signed by the approver. We spoke to several supervisors and they advised us that they do not routinely receive supporting documentation or might take limited action to determine if the information recorded on the timecard was accurate prior to approval. For example, supervisors approving bus driver timecards stated they may question reported time when it seems excessive based on their judgment. Consequently, given the large number of timecards to approve, we question the effectiveness of certain of these supervisory reviews to ensure the timecards were accurate and supported.

Similar conditions regarding the user access capabilities and excessive supervisory timecard approval responsibility were commented upon in the preceding audit report. Regarding the issue of supervisors being responsible for approving an excessive number of timecards, PGCPs stated in its response to that report, that it would consider changing the default approver assignments in its automated payroll system to address inequities in the workload of the supervisors.

#### **Recommendation 4**

**We recommend that PGCPs**

- a. review the function of recording and approving timecards within the automated system, and limit employee capabilities to record and approve timecards (repeat) or otherwise institute a process for periodic verification of propriety of any changes on test basis; and**

- b. review current supervisory responsibilities for approving timecards and agreeing them to supporting documentation, and to the extent practical, reduce the number of timecards these individuals are responsible for approving (repeat).

#### **Finding 5**

**Critical human resources and payroll transactions were not always subject to a documented independent supervisory review.**

#### **Analysis**

Critical human resources and payroll transactions were not always subject to a documented independent supervisory review.

- Required supervisory approvals over changes recorded in the automated human resource and payroll system, including personnel information, salary adjustments, and special payouts were not documented. We were advised that these changes were reviewed and approved by supervisory personnel, which included a verification to the initiating documents that supported the changes. We also noted that a report of these changes was generated after the fact, and we were advised that this report was reviewed by supervisory personnel; however, that review and approval was not documented. Additionally, the after-the-fact review of the report of changes would not necessarily be effective, as we noted that the change report did not always accurately reflect the individual that made the change, making it difficult to vouch the change to supporting documentation.
- Supervisory review and approval of manual payroll adjustments for one-time payments to individuals were not performed nor were such reviews and approvals required by PGCPs policy. These adjustments were generally for payments of accumulated leave or one-time adjustments for additional pay. Without supervisory reviews, there is a risk that the adjustments could be incorrectly entered, unsupported, or result in overpayments or duplicate payments. Our test of 20 one-time payments to 11 employees for accumulated leave totaling approximately \$640,000, disclosed that all payments lacked supervisory review and approval, although each payment appeared to be correctly processed and supported. During fiscal year 2016, manual payroll adjustments totaled \$9.2 million.

Similar conditions regarding the human resource and payroll supervisory reviews were commented upon in the preceding audit report.

### Recommendation 5

We recommend PGCPS perform and document independent supervisory reviews and approvals of critical human resource and payroll transactions, including manual payroll adjustments, to ensure that they are supported by appropriate documentation (repeat).

### Finding 6

Internal controls and record keeping related to Transportation Department bus driver and bus attendant payrolls were not adequate to ensure the propriety of salary payments.

### Analysis

Internal controls and record keeping related to Transportation Department bus drivers and bus attendant payrolls were not adequate. Bus drivers and bus attendants were paid based on predetermined route hours as calculated by an automated routing system, with manual adjustments for leave taken and overtime worked.

- PGCPS did not have a standardized process (for example, timesheets or time clocks) to document the actual time worked by drivers and attendants. Instead, supervisors stationed at the various bus lots were responsible for maintaining documentation to track leave, substitute assignments, and other duties affecting time, which were then to be posted to the Department's timekeeping system for eventual interface to the automated payroll system. However, our review found inconsistencies in the degree of documentation maintained by the six supervisors responsible for the 12 bus lots. While documentation should have been included directly on the timesheet with approval by the supervisor, our review instead found documentation such as handwritten notes on daily route schedules or on slips of paper attached to the route schedules. Additionally, the bus driver's start and end times were not compared to available bus Global Positioning Satellite (GPS) data to ensure the accuracy of time driven when it exceeded established route time and resulted in overtime.
- Overtime hours worked were not always supported, lacked documented supervisory approval, or were credited as being earned on the wrong day. Our test of 787 overtime hours, resulting in payments totaling \$34,000 to nine employees, during the period from October 2015 to February 2017 disclosed the following conditions:

- 221 overtime hours for the nine employees were not supported by any formal documentation. Additionally, based on the limited documentation available, 6 hours of overtime for one of these employees was described as time needed to wash buses even though this work is supposed to be included in the standard driving hours for the bus route.
- 648 overtime hours for eight employees lacked documented supervisory approval.
- 189 overtime hours for seven employees were charged to a different day than the actual day the overtime was earned, at times effecting the pay rate of the employee. For example, one employee was paid 11.25 hours at the Sunday pay rate (2 times the regular rate) even though the hours were earned on Saturday, which would have been paid at 1.5 times the regular rate.
- Permanent modifications to bus routes that increased hours worked for bus drivers were not always supported with a route manifest signed by the bus driver and approved by supervisory personnel as required by PGCPs' policies. For each modification, the bus driver is to complete and sign a route manifest to document the additional time. This form is used by the Transportation Department staff to support changes made to the transportation time database (and subsequently to the automated payroll system). Modifications to permanent route assignments are necessary throughout the year due to reasons such as road construction or added stops. Without an independent verification of the manifest and supporting documentation, changes to routes, and ultimately to the hours charged by a driver, may be improper or inaccurate.

Our test of 12 route changes (adding 314 hours to routes) recorded in the routing system, which impacted 10 employees, disclosed that none had supporting documentation (a driver signed route manifest) or were independently verified and approved. For example, upon our inquiry, we were advised by transportation officials that one route change increased the employee's time by 25 hours during each pay period so the bus driver could clean the bathroom at the bus lots. We were advised by Payroll management personnel that in their opinion, cleaning bus lot bathrooms is not a valid route modification, nor an assignable duty (for bus drivers) that would increase pay. According to PGCPs records, route changes from August 2017 to December 2017, resulted in an estimated increase of approximately 191,200 hours, which based on the starting salary of



\$18.41 for bus drivers, means that these modifications could have increased payroll cost by at least \$3.5 million.

Similar conditions regarding the payroll documentation were commented upon in our two preceding audit reports. The Transportation Department employs 1,506 personnel, which includes 1,361 bus drivers. For fiscal year 2016, the Transportation Department's payroll expenditures totaled \$61.3 million, including \$9.6 million for overtime.

#### **Recommendation 6**

**We recommend PGCPs ensure**

- a. that a standard time reporting process for documenting transportation employees' time worked (such as timesheets or time clock) is implemented and that related supporting documents or records are retained (repeat);**
- b. GPS data are reviewed, at least on a test basis, when time driven exceeds established route times;**
- c. all overtime is properly supported, approved, and recorded on the correct day in accordance with PGCPs procedures (repeat); and**
- d. that an employee independent of the bus driver performs a documented verification of the accuracy of all changes to permanent route assignments (repeat) and that all changes are supported by approved manifests.**

#### **Finding 7**

**PGCPs lacked a policy requiring the justification or rationale for executive employee salary increases and such increases were not reported to the Board.**

#### **Analysis**

PGCPs did not have a policy regarding documenting the rationale or justification for executive salary increases. Although State law allows the PGCPs' Chief Executive Officer (CEO) to set salaries for executive employees, PGCPs did not require that documentation be prepared justifying the increased salaries, such as the assumption of greater duties or superior performance. Additionally, the Board was not made aware of executive salary increases, nor was the CEO required to inform the Board of such increases, for the purposes of transparency and accountability.

During fiscal year 2017, 13 executive employees had salary increases ranging from 2 percent to 20 percent totaling \$157,103. The new salaries for these 13 employees totaled approximately \$2 million. Our review of the 13

employees' 2017 compensation disclosed documentation issues with 11 employees' salary increases totaling \$131,714.

- The documentation on file for six employees with salary increases totaling \$97,171 included only a generic statement that the increase was authorized by the CEO or that the employee had additional work responsibilities. However, the nature of the additional work was not detailed in the explanation.
- There was no required salary increase form on file for two employees with salary increases totaling \$17,633.
- The salary increase form for one employee's salary increase totaling \$11,193 lacked an explanation (such as, promotion, additional responsibilities).
- The documentation for two employees with salary increases totaling \$5,717 indicated they would be presented to the Board since they were for position appointments, which required Board approval. However, PGCPs was unable to provide documentation that the increases were presented to the Board for approval.

#### **Recommendation 7**

**We recommend that PGCPs**

- a. document the rationale or justification for executive employee salary increases, and**
- b. establish a policy to disclose executive employee salary increases to the Board.**

## **Inventory Control and Accountability**

### **Background**

According to PGCPs' audited financial statements, the undepreciated value of its capital equipment inventory totaled \$191 million as of June 30, 2016. PGCPs uses an automated system maintained by its Finance Office to track equipment items with a cost of \$1,500 or more (items valued at \$5,000 or more are capitalized for financial statement purposes). In addition, PGCPs' Information Technology Department maintains separate inventory records for computers (desktops, laptops, tablets) and related peripheral items, regardless of cost.

**Finding 8**

**Physical inventories of equipment were not conducted as required and access to the automated inventory records was not adequately restricted.**

**Analysis**

A system-wide triennial physical inventory of non-capitalized assets was not conducted as required by PGCPs policies. Specifically, although PGCPs advised us that the required triennial physical inventory was conducted in 2016, it was unable to provide any documentation to support that it was either performed or completed. The PGCPs *Property Control Manual* states that a physical inventory of non-capitalized assets (costing over \$1,500 but less than \$5,000) should be performed every three years. A similar condition was commented upon in our preceding audit report.

Furthermore, our review of system access to the automated inventory records disclosed that 18 of the 23 users with administrative-level access did not need this access to perform their job duties. Having this level of access allowed the users to unilaterally update the status of equipment items to lost, stolen, or disposed without any independent review or approval.

**Recommendation 8**

**We recommend that PGCPs**

- a. conduct and document physical inventories of equipment at intervals required by its policy (repeat), and**
- b. adequately restrict administrative level access to its automated inventory records to those employees requiring such access.**

**Finding 9**

**PGCPs equipment inventory records were not comprehensive or complete.**

**Analysis**

PGCPs equipment inventory records were not comprehensive or complete.

- Our test of 45 information technology items recorded in the automated inventory records disclosed that 16 items did not have a value recorded, and 5 other items totaling \$3,949 could not be located. For 2 of these items (notebook computers), the inventory records reflected the items as being assigned to employees who no longer were employed by PGCPs, which could explain why the items were not located. Using PGCPs data (including its automated inventory records), we generated a report that identified 1,417 information technology items listed as being in the

custody of former employees. Although each item did not necessarily have a dollar value recorded, the total of the available recorded values for these items was approximately \$813,000.

- PGCPS did not consistently affix inventory tags or otherwise mark equipment as its property. We were advised by PGCPS' accounting department personnel, who were responsible for marking equipment, that as of November 2017, they had not tagged any fixtures, furniture, or non-IT equipment since September 2016. Due to the lack of record keeping, we were unable to determine the value of the equipment not tagged.

According to PGCPS' Property Control Manual, each item of furniture and equipment owned by PGCPS with the value of \$1,500 or more is required to be recorded in the automated inventory records (which must include recording the property tag number affixed to the asset and the unit price). Additionally, all computing equipment regardless of value and recorded in the separate inventory maintained by the Information Technology Department. Similar conditions regarding adding equipment and recording complete information in the automated equipment records were commented upon in our preceding audit report.

#### **Recommendation 9**

**We recommend that PGCPS comply with its existing equipment policy by ensuring that**

- a. accurate, detailed equipment records are maintained for all appropriate assets and include all applicable information, such as cost (repeat); and**
- b. equipment is properly tagged for identification purposes.**

## **Information Technology**

### **Background**

PGCPS' Information Technology Department (ITD) maintains and administers the PGCPS computer network, computer operations, and academic and financial information system applications. PGCPS operates a wide area network, with Internet connectivity, which connects the individual schools' local networks to the computer resources located at PGCPS' two data centers. These data centers host numerous devices including firewalls and computer servers to support PGCPS' information system applications. The ITD also supports PGCPS critical applications including its student management system and its Enterprise Resource Planning system (ERP), which includes financial, human resources, and payroll modules.

#### **Finding 10**

**The ERP and student management system databases were not configured to log certain critical security activity, nor were the ERP's account and password controls adequate. In addition, an insecure service was enabled for the student management system database.**

#### **Analysis**

The ERP and student management system databases were not configured to log certain critical security activity, nor were the ERP application's account and password controls adequate. In addition, an insecure service was enabled for the student management system database.

- The ERP and student management system databases were not configured to log direct changes to critical database tables. Although the databases were configured to log the occurrence of other significant database security events (such as use of critical system privileges), we were advised that these logged events were not regularly reviewed. These conditions could result in unauthorized or inappropriate activities occurring (affecting the integrity of the information within these production databases) and going undetected by management. Best practices identified in the State of Maryland *Information Security Policy* require that information systems generate audit records for all security-relevant events, including all security and system administrator accesses and that procedures exist to routinely review audit records for indications of unusual activities, suspicious activities or suspected violations, and report findings to appropriate officials for prompt resolution. A similar condition was commented upon in our preceding audit report for both databases.
- Password and account controls were not sufficient, as certain controls defined for ERP user account groups did not meet the minimum recommended settings identified in the *Information Security Policy*. Specifically, available security settings for password complexity and history as well as account lockout control were not enforced for the ERP applications' accounts.
- The student management system database configuration included an insecure enabled service that allowed users to run commands as a privileged user. This service was intended only to accept requests from the database server, but local users defined on the server hosting this database could execute commands using this service without authentication. Best practices identified in the *Information Security Policy* require appropriate change management processes to ensure information

systems changes are properly controlled. A similar condition was commented upon in our preceding audit report.

#### **Recommendation 10**

**We recommend that PGCPs implement best practices prescribed by the State of Maryland *Information Security Policy* by**

- a. logging direct changes to critical ERP and student management system's database tables and implementing regular reviews of such changes as well as other critical database security events, documenting these reviews, and retaining this documentation for future reference (repeat);**
- b. establishing controls related to password complexity and history and account lockout, over the ERP applications, and**
- c. disabling the insecure service on the student management system's database (repeat).**

#### **Finding 11**

**Thirty-five publicly accessible servers were improperly located within the internal network, intrusion detection prevention system coverage for untrusted traffic did not exist, and PGCPs network resources were not secured against improper access from contractors using remote access and high school students using school computer labs and media centers.**

#### **Analysis**

The PGCPs computer network was not adequately secured. We noted a number of conditions affecting network security.

- Thirty-five publicly accessible servers were located in the PGCPs internal network rather than being isolated in a separate protected network zone to minimize security risks. These 35 publicly accessible servers, if compromised, could expose the internal network to attack from external sources. Recommended security procedures, as stated in the National Institute of Standards and Technology *Guidelines on Firewalls and Firewall Policy*, include placing publicly accessible servers in an external protected zone to protect those servers as well as the entity's internal network. A similar condition was commented upon in our preceding audit report.
- Intrusion detection prevention system (IDPS) coverage did not exist for untrusted traffic (both unencrypted and encrypted) entering the PGCPs network. PGCPs operated an IDPS appliance on its network, but it only detected malicious unencrypted traffic, as it was not capable of preventing (blocking) such traffic. The IDPS appliance did generate logs of such detected malicious traffic with related reporting; however, we were

advised that reviews of the logs and reporting was not performed, effectively resulting in no IDPS coverage. Additionally, for untrusted encrypted traffic, neither server host-based intrusion prevention system coverage, nor network device decryption and inspection coverage occurred. The aforementioned absence of IDPS coverage creates network security risk as such traffic could contain undetected malicious data. Best practices in the State of Maryland *Information Security Policy* require protection against malicious code and attacks by using IDPS to monitor system events, detect attacks, and identify unauthorized use of information systems and/or confidential information. A similar condition was commented upon in our preceding audit report.

- Twenty-four contractors from 12 companies had unnecessary network-level access to the entire PGCPS internal network. Specifically, we identified 24 contractors who were provided remote access via a virtual private network connection to the PGCPS network to perform IT and various other support activities. However, this access was not properly restricted, and these 24 contractors had improper network-level access to the entire PGCPS internal network, including critical servers and other network resources, rather than having restricted access to only those network resources related to their respective responsibilities.
- PGCPS did not adequately secure its internal network from improper network-level access from PGCPS high school students using either computer lab workstations or media center workstations. PGCPS did not use network access control software or network-level traffic filtering to protect its network from activity emanating from these workstations. A similar condition concerning student access was commented upon in our preceding audit report. Student access from these workstations should be limited to devices and ports necessary for these students to perform required tasks. Best practices in the State of Maryland *Information Security Policy* require that entities' networks must ensure that only authorized individuals have access to confidential information and that such access is strictly controlled, audited, and that it supports the concepts of least possible privilege and need to know.

#### **Recommendation 11**

**We recommend that PGCPS**

- a. relocate all publicly accessible servers to a separate protected network zone to limit security exposures to the internal network segment (repeat),**
- b. perform a documented review and assessment of its network security risks and identify how preventive mode IDPS coverage should be applied**

- to its network for all untrusted traffic and implement this coverage (repeat),
- c. implement controls to limit contractors' network-level access to only servers and network resources that each contractor needs to access for support purposes, and
  - d. restrict student network-level access to only authorized local school and headquarters instructional network resources (repeat).

#### **Finding 12**

**PGCPS had not established procedures to ensure malware protection software was installed, current, and operational on all active computers, and that computers running vulnerable installed software had security updates applied.**

#### **Analysis**

PGCPS did not establish procedures to ensure that all of its approximately 42,500 active computers were sufficiently protected against malware and other security vulnerabilities.

- PGCPS did not ensure that all active computers had been identified for monitoring by the management consoles of its malware protection software products. Specifically, PGCPS did not periodically reconcile the computer population according to its network directory services records and the population according to its malware prevention software management consoles. Our review disclosed approximately 4,600 active computers that were not monitored by its management consoles. Additionally, we were advised by PGCPS personnel that no other procedures were performed in order to confirm that malware protection software was installed on all of its active computers and was operational with current malware signature files.
- Computers tested had not been updated with the latest releases for malware protection software updates and for software products that are known to have significant security-related vulnerabilities. Although the vendors for these products frequently provided software patches to address these vulnerabilities, PGCPS had not updated its computers for these patches. For example, as of May 11, 2018, we determined that 4 of 10 computers tested were not updated with the latest malware protection software updates, but instead were last updated with software released in October 2016. Additionally, all 10 computers tested for another software product were running older, outdated versions of the software released during dates ranging from December 2012 to October 2017.



Best practices prescribed by the State of Maryland *Information Security Policy* state that agencies, at a minimum, must protect against malicious code (such as viruses, worms, Trojan horses) by implementing anti-malware solutions that, to the extent possible, include a capability for automatic updates.

#### **Recommendation 12**

**We recommend that PGCPs**

- a. ensure that all managed computers are running current, operational versions of its malware protection software by performing periodic comparisons of computer counts between its malware protection consoles and network directory services, along with other appropriate follow-up procedures, and document these comparisons and monitoring actions and retain the documentation for future reference; and
- b. automatically update all computers for the latest versions of the malware protection software and keep its computers up-to-date for all critical security-related updates to potentially vulnerable installed software.

#### **Finding 13**

**PGCPs did not ensure that employee access to its automated financial systems was appropriate.**

#### **Analysis**

PGCPs did not ensure that employee access to its automated financial-related systems (such as purchasing, human resources, and payroll) were appropriate, as we found a number of employees with unnecessary or incompatible access capabilities. Further, although PGCPs supervisors may request a report of their employees' access, the supervisors are not required to perform a documented periodic review of user access.

- Our test of certain critical purchasing access capabilities assigned to 20 employees, disclosed that 15 of these employees had been assigned capabilities that resulted in an inadequate separation of duties. Specifically, 7 of those users could create and approve purchase orders and record the receipt of the related goods or services, and 8 users could record the receipt of goods and services and process the related payment. Similar conditions were commented upon in our preceding audit report.
- Our test of certain critical human resources access capabilities assigned to 14 employees disclosed that 7 of these employees had unnecessary access to add, terminate, and change employee data; including changes to an employee's salary.

- Our test of certain critical payroll access capabilities assigned to 20 employees disclosed that 7 of these employees had unnecessary access to process payroll; including making one-time pay adjustments.

### **Recommendation 13**

**We recommend that PGCPs periodically ensure that employee access capabilities are appropriate and incompatible duties are segregated (repeat).**

## **Facilities Construction, Renovation, and Maintenance**

### **Background**

PGCPS employs a staff of 1,709 employees to maintain its 213 facilities, consisting of 197 of its 209 schools and 16 other administrative and support facilities. The remaining 12 schools were operated and maintained by other entities (such as, charter schools). According to the fiscal year 2017 Capital Improvement Plan, necessary construction, major renovations, and systemic improvements to PGCPS facilities over the next six years were estimated to cost \$2.4 billion.

### **Processes are in Place to Minimize Utility Costs**

PGCPS has processes in place to minimize utility costs. For example, PGCPS utilized annual energy smart analysis reports to identify potential cost savings for its schools. In addition, PGCPS reviewed utility invoices for any unusual increase in usage, such as higher than normal water bills. Maintenance staff would investigate the cause of such increases to determine if there was a leak causing higher water usage.

### **Overview - Job Order Contracting**

PGCPS began using a project delivery method called Job Order Contracting (JOC) in 2012 to enable the school system to expeditiously repair, alter, modernize, maintain, rehabilitate, construct buildings, and upgrade mechanical systems at all facilities. JOC is an allowable project delivery method under State regulations that uses a standardized pricing catalog containing construction cost estimation data for labor, material, and services for thousands of items needed for projects. Vendors are prequalified for a JOC contract based on technical abilities and price (measured as a quoted percentage discount off the prices listed in the standardized pricing catalog, which is referred to as the “coefficient”). Our research disclosed a non-profit Center for Job Order Contracting Excellence, which provides best

practices, resources, and networking for collaborative project delivery methods.<sup>2</sup>

During the period from 2014 to 2018, PGCPs' Board had approved two JOC contracts – one for construction projects that was approved in April 2014 with 15 vendors and one for mechanical projects that was approved in January 2016 with 8 vendors. For each future construction or mechanical project, PGCPs will execute a task order contract with one of the pre-selected vendors. The maximum value of the individual construction task order is \$2.5 million and the maximum value of each mechanical task order is \$3 million. As of February 2018, PGCPs had awarded 130 task orders totaling \$95.1 million through the two JOC contracts. See the Table 1, which summarizes the two JOC contracts types and the task order activity.

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Table 1

**Summary of JOC Contracts and Task Order Activity as of February 2018**  
 (\$ amounts in millions)

JOC Contract Type	Number of Prequalified Vendors	Date of Board Approval	Number and Value of Total Awarded Task Orders	
Construction	15	April 2014	101	\$69.2
Mechanical	8	January 2016	29	\$25.9
<b>Totals</b>	<b>23</b>		<b>130</b>	<b>\$95.1</b>

Source: PGCPs' Records

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<sup>2</sup> According to the Center's website: JOC is a method to get numerous, commonly encountered construction projects done quickly through multi-year contracts for a wide variety of renovation, repair, and minor construction projects. The most common uses sighted are clearing deferred maintenance backlogs, performing rapid response recurring project needs, and constructing renovation projects. A JOC is a competitively bid, fixed price, multi-year construction contract based on established or published unit prices used to price construction tasks associated with the scope of work. The contract serves as an umbrella contract with a potential maximum amount of work over a specified time-period. The Center claims that the benefit of JOC work is faster project start times compared to traditional contracting methods, which also results in a shorter project duration.

**Finding 14**

**PGCPS did not follow best practices for selecting pre-approved vendors for task orders and the selection process was not consistent between the construction and mechanical JOC contracts.**

**Analysis**

PGCPS did not follow best practices in selecting pre-approved vendors for task orders and the selection process was not consistent between the construction and mechanical JOC contracts. For the construction and mechanical JOC contracts, the pre-approved vendors were selected primarily or entirely based on the task order evaluation committees' scoring and ranking of the vendors on past performance, experience, and technical ability. However, only the construction task order evaluation committee also considered vendor cost (the "coefficient") in the ranking, although it was outweighed by the committee's determination of technical ability. Best practices appear to support that pricing should be at least an equal factor to technical abilities in selecting vendors.

Based on our review of PGCPS' methodology for selecting construction or mechanical vendors for each task order, it did not appear that PGCPS ensured the best value was obtained. We determined that vendors who were ranked higher technically by the evaluation committee, and who also often had higher costs, received a greater percentage of the work compared to the lower cost vendors. For example, of the eight vendors under the mechanical JOC contract, the four highest cost vendors received 58 percent of the task orders totaling \$15.1 million that were awarded during the period from January 2016 to February 2018.

According to the Center for Job Order Contracting Excellence's best practices, when there is enough volume to support multiple JOC vendors, the best way to award work is by regions or trades, which does not appear to be relevant at PGCPS. Other methods of awarding multiple JOC vendors include using the highest ranked vendor (that is, the one with the most advantageous price coefficient), with a runner-up selected, if the first vendor cannot perform all the work, or to divide the work among vendors. PGCPS management advised us that the use of JOC contracts was a relatively new procurement option for PGCPS, and it was not aware of the Center's recommended best practices.

**Recommendation 14**

**We recommend that PGCPS consider relevant JOC best practices for applying a documented systematic methodology for selecting vendors, including the most advantageous price coefficient.**

**Finding 15**

**PGCPS did not adequately review price quotes submitted by JOC vendors selected for task orders. Consequently, approved task orders contained questionable or unsupported costs.**

**Analysis**

PGCPS did not adequately review price quotes submitted by JOC vendors selected for task orders. Vendors selected for task orders were required to submit price quotes based on a standardized pricing catalog and PGCPS' project managers were to review the quotes for reasonableness, accuracy, and completeness. Our test of ten open or completed task orders totaling \$19.9 million disclosed the following issues with the related price quotes:

- For six task orders totaling \$12.2 million, the related price quotes included items totaling \$2.8 million for which there was no documentation supporting the quoted price. For example, one \$2 million task order quote contained lump sum items totaling \$935,000, including generic line items for heating, ventilation, and air conditioning work totaling \$325,000 and for electrical work totaling \$225,000. Consequently, it is unclear how project managers reviewed these quotes and reached determinations of reasonableness. The JOC contracts required vendors to use the standardized pricing catalog when preparing price quotes or supply three quotes for non-cataloged items, neither of which were apparent in the price quotes for these six task orders.
- For seven task orders totaling \$14.7 million, the related price quotes did not reflect a 1.5 percent discount based on applying the appropriate city cost index (Washington D.C. Metro), as required by the underlying JOC contract. For these seven task orders, applying the city cost index would have resulted in a discount totaling approximately \$221,500.
- The price quote for one task order totaling \$3 million contained duplicate contingency costs. The contingencies were listed on both the individual cost components and as a percentage of the overall costs. The total contingencies included were approximately \$365,000 of the task order's value.
- For one task order totaling \$2.5 million, PGCPS' project manager documented various pricing concerns (such as the inclusion of unreasonable costs and the omission of critical cost items). However, PGCPS could not provide any documentation that a review or follow up was conducted to address the concerns raised by the project manager.

In each of the above cases, a project manager had approved the related task order, indicating their review of the pricing. When we shared these conditions with PGCPs management, PGCPs was unable to provide explanations for the conditions, which should have been addressed during the project manager review process according to its pricing review policy. PGCPs management did advise us that some price quotes were rushed in order to prevent the reversion of State funding for certain of these capital projects. According to the Center for Job Order Contracting Excellence, when reviewing a price proposal, a project manager should be determining if line items are appropriate and if quantities are correct. Additionally, PGCPs procedures state it is the project manager's responsibility to thoroughly review pricing to ensure unauthorized line items are not included in the pricing.

#### **Recommendation 15**

**We recommend that PGCPs**

- a. thoroughly review vendor price quotes for JOC task orders to ensure costs are sufficiently detailed, are appropriate and reasonable, are properly supported by the standardized pricing catalog or by price quotes for non-cataloged items (at least on a test basis), and are in agreement with contract terms; and
- b. review the above noted task orders' pricing for appropriateness and in conjunction with its legal counsel determine if any cost recoveries should be pursued.

#### **Finding 16**

**PGCPs did not verify that guaranteed savings were achieved related to work performed under two energy performance contracts.**

#### **Analysis**

PGCPs did not verify that guaranteed savings were achieved related to work performed under two energy performance contracts. PGCPs entered into two energy performance contracts, based on proposals submitted by two Energy Service Companies (ESCO) that guaranteed a combined savings of \$184.4 million over the 15-year period of each contract. The guaranteed savings were to be measured based on future annual energy usage as compared to usage from an agreed-upon base year. The accrual of project savings was to start after all contract-related energy modifications and construction were completed, and the savings were to be measured (against the base year data) by the implementation of a monitoring system by the contractors. All work was completed in fiscal year 2016, but as of fiscal year 2018 neither the contractor nor PGCPs had implemented a process to measure and quantify any energy savings. We were advised by PGCPs that even though there was a

system to measure current energy use, the original contract documents it entered into did not address how the annual savings would specifically be calculated or identify the actual base year against which each project's savings would be measured.

PGCPS originally procured the services of the two ESCOs in fiscal year 2006 to implement energy conservation measures under a Maryland Department of General Services (DGS) statewide contract for energy performance contracting. The two projects' energy conservation measures included physical plant improvements, installation of energy efficient devices (such as new lighting) and new heating and cooling equipment at certain schools, as well as a system to monitor and measure the benefits from the improvements. Project costs totaling approximately \$105 million were financed through third parties beginning in fiscal year 2008, over periods ranging from 13 to 15 years. The DGS contract required each project to achieve a minimum 20 percent reduction from the base year in annual energy usage and a maximum payback period of 15 years.

A similar issue was commented on in our preceding audit report.

#### **Recommendation 16**

**We recommend that PGCPS develop an approach to determine that guaranteed savings are achieved as claimed in the original vendors' proposals and required by the underlying DGS contract (repeat).**

#### **Finding 17**

**The performance of preventive maintenance was not consistently documented and tracked for monitoring purposes.**

#### **Analysis**

Preventive maintenance was not consistently documented on PGCPS' automated maintenance system nor tracked for monitoring purposes. In 2014, PGCPS implemented an automated maintenance system to track work orders and preventive maintenance; however, the preventive maintenance module has not been used. Although PGCPS had developed a comprehensive maintenance plan that included preventive maintenance and task schedules, which required that inspections and preventive maintenance work be completed at certain intervals and documented on paper logs, PGCPS did not always have this documentation on file to substantiate that maintenance was performed.

Our review disclosed that maintenance staff at the schools did not consistently use paper logs to record certain preventive maintenance tasks or record the completion of the task in PGCPs' automated maintenance system. For example, our test of five schools disclosed that logs were not maintained at two schools and at two other schools logs were missing information documenting the performance of required critical preventive maintenance for boilers, cooling towers, roofs, and other essential preventive maintenance tasks. Preventive maintenance performed was not recorded in the automated system for any of the five schools. Without sufficient documentation, PGCPs lacks assurance that all preventive maintenance that was required by its comprehensive maintenance plan was actually performed.

Finally, as of February 21, 2018, PGCPs had not performed an asset assessment for any of its 209 schools so it could not fully utilize the preventive maintenance module in its automated maintenance system. The assessment, which is a preliminary step necessary for use of the module, includes inventorying critical building components that require preventive maintenance (such as, boilers, ventilation systems, air conditioning systems, electrical systems, roofs, plumbing, parking lots, and building structural components). Until PGCPs completes the asset assessment, PGCPs will be unable to implement a comprehensive and integrated process for tracking and monitoring necessary preventive maintenance for critical systems using its automated maintenance system.

A similar condition was commented upon in our preceding audit report.

#### **Recommendation 17**

**We recommend that PGCPs**

- a. complete and document all preventive maintenance performed in compliance with the requirements of the comprehensive maintenance plan (repeat), and**
- b. complete the necessary asset assessment for its schools in order to utilize the preventive maintenance module of its automated maintenance system.**

### **Transportation Services**

#### **Background**

PGCPs has approximately 85,500 students eligible to receive student transportation services. These students were transported on 1,086 buses, of which 1,083 were owned by PGCPs and 3 were owned and operated by contractors. According to PGCPs audited financial statements, fiscal year



2016 transportation costs totaled \$100.1 million. Of the 19.6 million reported route miles for the 2015 – 2016 school year, 40 percent represented miles traveled to transport disabled students.

**Finding 18**

**PGCPS did not establish adequate accountability over access to the automated fuel dispensing system.**

**Analysis**

PGCPS did not establish adequate accountability over access to the automated fuel dispensing system. Specifically, PGCPS did not require employees to sign a user agreement to establish the employees' responsibilities for using the system, such as proper use standards and access to fuel pumps. Additionally, PGCPS did not review user access on a periodic basis to determine if continued access was warranted. According to PGCPS automated fuel dispensing system records, as of February 23, 2018, 460 employees (primarily maintenance department and transportation department staff) were assigned access to the automated fuel system and could dispense fuel. Finally, as of the same date, nine of those employees had not used their access cards to the fuel system for more than one year.

PGCPS operated 12 refueling sites for its bus fleet, which disbursed primarily diesel fuel (several unleaded gasoline pumps were also maintained for maintenance vehicles), and many employees had 24-hour access to these sites. According to PGCPS' records, during fiscal year 2018, approximately 3.4 million gallons of diesel fuel was dispensed.

A similar condition was commented on in our preceding audit report.

**Recommendation 18**

**We recommend that PGCPS establish adequate accountability over the automated fuel dispensing system. Specifically we recommend that PGCPS**

- a. **develop a standard user agreement, which is signed by employees authorized to use the system, delineating employee responsibilities and inappropriate use (repeat);**
- b. **review card access on a periodic basis and remove access from employees who do not need the access (repeat).**

### Finding 19

**PGCPS did not implement certain practices to promote more efficient use of its bus fleet.**

#### Analysis

PGCPS did not implement certain practices that might allow it to improve bus fleet efficiency.

- PGCPS transportation staff advised us that bus routing was primarily a manual process. Although PGCPS has owned an automated routing system since 2001, this system was used as a sophisticated mapping tool and not used to calculate alternative routes, route consolidations, or stop consolidations that could reduce costs. Consequently, routes may have been inefficiently designed, resulting in significantly underutilized capacity on individual buses (as noted below) and operating more buses than necessary to fulfill PGCPS' transportation needs.

PGCPS' transportation staff advised us that an upgrade to its routing system was planned for the summer of 2018 that could help with reducing the manual aspect of routing. However, PGCPS asserted that with the number of eligible riders and the volume of routes making manual changes to routes would always be required. We acknowledge that some manner of manual involvement in the routing process might be necessary, but the use of routing software should lessen the number of manual changes.

- PGCPS did not document processes used to manually plan, review, and revise bus routes to ensure that such processes included all appropriate factors (such as, ride time, capacity, cost per pupil, bus, or route). Current documented procedures did not instruct routers on how to plan, review, and revise bus routes and provided only a general guideline for routing. PGCPS *Transportation Routing Policy* had various bus capacity load limits that were based on the size and type of bus and established one-way ride time goals based on the type of routes. However, we found the routing procedures in use did not instruct routers on how to achieve these limits and goals when planning, reviewing, and revising routes and provided only a general guideline for routing. A 64-passenger bus should be limited to 42 high school students, 42-45 middle school students, or 50 to 55 elementary school students, and time for a regular route should be no more than 50 minutes.

Our analysis of the routing system data for 1,594 regular bus routes (we excluded certain special runs from our analysis) for the 2017 – 2018

school year disclosed that 374 bus routes were designed to transport student at less than 75 percent of PGCPs' capacity goals; including 171 routes that transported students at less than 50 percent of the capacity goals. For example, 7 of the 10 regular routes to one high school were transporting students at less than 50 percent capacity and 10 of the 14 routes to one middle school were transporting students at less than 50 percent capacity.

Similar conditions were commented on in our preceding audit report.

#### **Recommendation 19**

**We recommend that PGCPs take steps to improve routing efficiency.**

**Specifically, we recommend that PGCPs**

- a. primarily utilize an automated routing system in developing bus routes on a system-wide basis (repeat),**
- b. develop detailed policies and procedures to provide guidance for determining and revising bus routes (repeat), and**
- c. establish routes to ensure capacity goals are met to the extent practical (repeat).**

## **Food Services**

### **Background**

PGCPs has a cooking cafeteria at most of its schools. Food and related supplies are received and stored at each school. In fiscal year 2016, PGCPs had 857 food service positions (consisting of 841 cafeteria positions and 16 administrative positions). According to the audited financial statements, in fiscal year 2016, food service operating expenditures (\$84.5 million) exceeded revenues (\$81.6 million) by \$2.9 million. Although operating expenditures have historically exceeded revenues, the amount of the deficit has gradually decreased in recent years. Specifically, in fiscal years 2013, 2014, and 2015, the deficits were \$10.0 million, \$6.8 million and \$5.0 million, respectively. According to MSDE records, 61 percent of PGCPs' students qualified for free and reduced price meals as of October 31, 2017.

Due to the similarities between the work of the independent certified public accounting firm that audited the PGCPs financial statements and the objectives of our audit, we relied on the firm's work related to food service revenues. The accounting firm's work did not disclose any significant issues related to food service revenues.

## **School Board Operations**

### **Background**

PGCPS' Board of Education is composed of 14 members (nine elected members from the different school board districts, three members appointed by the Prince George's County Executive, one member appointed by the Prince George's County Council, and one student member with partial voting rights). In its oversight responsibilities, the Board contracted with a certified public accounting firm for independent audits of the PGCPS financial statements and federal programs.

### **PGCPS Adopted an Ethics Policy that Met the Requirements of State Law**

The Board had adopted a detailed ethics policy that conformed to State law and included provisions for conflicts of interest and financial disclosure. Provisions of this policy are applicable to Board members as well as all PGCPS employees. PGCPS established an Ethics Panel consisting of five members who are appointed by the Board 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 Division Directors) by April 30th of each year. Our review did not disclose any significant issues with timely reporting by staff.

## **Management of Other Risks**

### **Health Insurance**

PGCPS self-insures for its employees' health coverage and for eligible dependents. PGCPS contracts with a third party administrator (TPA) for health care claims processing services for employee medical (including vision) care. The TPA bills PGCPS monthly administrative fees based on the number of participants. In addition, medical providers submit claims to the TPA who pays on behalf of PGCPS and the TPA bills PGCPS weekly for the claims. PGCPS hired a contractor to verify the eligibility of program participants and their listed dependents and to periodically audit the propriety of claims paid by the program administrator. According to PGCPS records, health care expenditures totaled \$167.9 million in fiscal year 2017, including administrative fees. As of June 30, 2017, PGCPS provided health insurance benefits to 21,190 enrolled employees and retirees.

## **Charter Schools**

Charter schools received funding from PGCPs based on the number of students attending the schools and the per pupil cost to educate a student in PGCPs schools (excluding certain costs such as for special education services, debt payments, and transportation). Charter school expenditures for fiscal years 2016 and 2017 totaled approximately \$50.1 million and \$53.8 million, respectively, according to PGCPs records, which primarily consisted of salary and benefit costs paid directly by PGCPs to PGCPs employees who worked at the charter schools. PGCPs disburses the remaining available funds (after deducting payroll and other costs incurred by PGCPs) to the charter schools to cover other costs, such as supplies. According to PGCPs records, for fiscal year 2017 PGCPs had 10 charter schools operated by outside organizations that enrolled 5,389 students (an increase of 392 students from the 4,997 students the prior year) and had 406 full-time equivalent employee positions.

## Audit Scope, Objectives, and Methodology

We conducted a performance audit to evaluate the effectiveness and efficiency of the financial management practices of the Prince George's County Public Schools (PGCPS). 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. Evaluate whether the PGCPS procedures and controls were effective in accounting for and safeguarding its assets.
2. Evaluate whether the PGCPS policies provided for the efficient use of financial resources.

In planning and conducting our audit of PGCPS, we focused on 11 major financial-related areas of operations as approved on December 6, 2016 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. Our follow-up on the status of findings included in our preceding audit report on PGCPS dated February 19, 2014, included 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 PGCPS 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 PGCPS. We also interviewed personnel at PGCPS and the Maryland State Department of Education (MSDE), and staff at other local school systems in Maryland (as appropriate). Our audit procedures included inspections of documents and

records, and observations of PGCPS 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, 2015 through July 31, 2017. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected. For certain areas within the scope of the audit, we relied on the work performed by the independent accounting firm that annually audits PGCPS' 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.

We also extracted data from the PGCPS automated financial management system for the purpose of testing expenditure and payroll transactions. We performed various audit procedures on the relevant data and determined the data were sufficiently reliable for the purposes the data were used during the audit.

PGCPS' 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 findings were communicated to PGCPS that were not deemed significant and, consequently, did not warrant inclusion in this report.

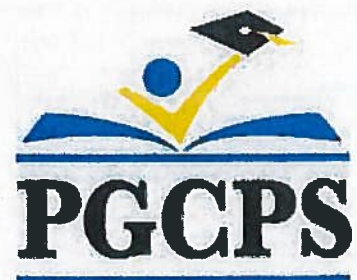
We conducted our fieldwork from July 2017 to March 2018. The PGCPS response to our findings and recommendations is included as an Appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise PGCPS regarding the results of our review of its response.

APPENDIX

**OFFICE OF LEGISLATIVE AUDITS**  
**Financial Management Practices Audit Report**  
**(July 2015 – July 2017)**

**Prince George's County Public Schools**  
**Management Response**

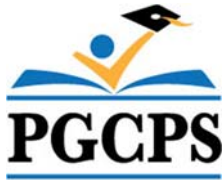
*Submitted March 6, 2019*





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**Monica E. Goldson, Ed.D.**  
*Interim Chief Executive Officer*

March 6, 2019

Maryland General Assembly  
Department of Legislative Services  
Office of Legislative Audits  
Attn: Gregory A. Hook, CPA, Legislative Auditor  
301 West Preston Street, Room 1202  
Baltimore, Maryland 21201

**Re: Office of Legislative Audits – Financial Management Practices Audit Report (July 1, 2015 – July 31, 2017)**

Dear Mr. Hook,

Pursuant to State Government Article, Section 2-1224 of the Annotated Code and the Joint Audit Committee Policy on Agency Responses to Reports Issued by the Office of Legislative Audits, please find enclosed Management Responses to the Financial Management Practices Audit Report.

Thank you for your work on this audit covering the period July 1, 2015 – July 31, 2017. Since my appointment as Interim CEO in July 2018, I have emphasized transparency, accountability and organizational effectiveness. This administration takes audits very seriously and views them as an opportunity for systemic improvement. For our new executive cabinet, this audit presents an invaluable tool for identifying, prioritizing and correcting our operational deficits.

Management agrees with all 19 audit findings and will work diligently to rectify the identified deficiencies. The attached document outlines the management response to your audit recommendations, including our corrective action plans. For each recommendation, we have included detailed action steps, responsible parties and aggressive completion deadlines.

As we implement these recommendations, we will continue to report quarterly (on our website) to update stakeholders on our progress. In these quarterly reports, we will provide a progress update for each recommendation and will classify the current implementation status as:

- Green: Implementation was completed on schedule (according to the corrective action plan)
- Yellow: Implementation was completed but behind schedule
- Blue: Implementation remains on track to be completed on schedule
- Orange: Implementation lags behind the schedule but has not yet missed the final deadline
- Red: Implementation was not completed by the final deadline

We are highly committed to this effort and have set the ambitious goal of no repeated audit findings in our next OLA audit. We look forward to our continued partnership in improving the operations of Prince George's County Public Schools.

Sincerely,



Monica E. Goldson, Ed.D.

Interim Chief Executive Officer

## MANAGEMENT RESPONSES TO AUDIT FINDINGS

### FINDING #1: BEFORE AND AFTER CARE RECEIPTS AND DEPOSITS

#### DESCRIPTION OF FINDING:

Existing procedures and controls were not adequate to ensure that proper amounts were received and all collections were deposited for the Before and After School Care Extended Learning Program.

#### OLA RECOMMENDATION:

We recommend that PGCPs establish proper controls over the enrollment, collection, and deposit functions of the BASELP (repeat). Specifically, PGCPs should establish a centralized enrollment function at the central program office and reconcile program revenue collected and deposited to enrollment records on a periodic basis, with any revenue discrepancies being investigated.

#### MANAGEMENT RESPONSE:

<i>Concurrence:</i>	Management agrees with the audit finding.
<i>Responsible PGCPs Division:</i>	Academics (Before and After School Care Extended Learning Program – BASELP)
<i>Management Comments:</i>	Staff is currently implementing procedures for all locations to submit collections daily to central office for deposit. Staff will then put in place a bi-weekly reconciliation process followed by procuring and implementing a new enrollment and payment system.

#### CORRECTIVE ACTION PLAN:

Step	Action Item	Responsible Department	Deadline
1	Establish a location for centralized collections and deposits	Before and After School Care Extended Learning Program	April 2019
2	Purchase pre-stamped and pre-addressed envelopes (with BASELP's Central Office address) for payments of either cashier's checks or money orders. Site coordinators will mail envelopes to the Central Office	Before and After School Care Extended Learning Program; Financial Services	May 2019
3	Work with our financial institution to identify and purchase a scanner to deposit cashier's checks/money orders into our account	Before and After School Care Extended Learning Program; Financial Services	May 2019
4	Staff will reconcile the enrollment and payment records every two weeks to coincide with the bi-weekly payment cycle	Before and After School Care Extended Learning Program	Ongoing Beginning July 2019

Step	Action Item	Responsible Department	Deadline
5	Post an RFP for a new enrollment system (previous vendor contract expired Fall 2018) which can track payments of all parents and facilitate the reconciliation of payments	Before and After School Care Extended Learning Program; Information Technology; Financial Services	July 2019
6	Implement new enrollment system	Before and After School Care Extended Learning Program; Information Technology; Financial Services	March 2020

## FINDING #2: SOLE SOURCE PROCUREMENT DOCUMENTATION

### DESCRIPTION OF FINDING:

PGCPS did not maintain required documentation justifying the use of sole source procurements or the benefits of using intergovernmental cooperative purchasing agreements (ICPAs) as required by State Law, and did not ensure that ICPA-related invoice pricing agreed to the ICPA.

### OLA RECOMMENDATION:

We recommend that PGCPS

- a. ensure that sole source contract determinations include appropriate information to document the rationale for not performing a competitive procurement as required by policy (repeat),
- b. track the procurement method used for each contract to enable identification and to aid in verifying compliance with existing policies,
- c. comply with State law and ensure that a written determination is prepared of the benefit of using all ICPAs, and
- d. ensure that invoices for ICPAs reflect the proper discounts provided for in the contracts.

### MANAGEMENT RESPONSE:

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPS Division:* Operations (Purchasing and Supply Services)

*Management Comments:* Response to recommendation (a): PGCPS requires any requesting department or end user to submit a letter of justification for sole source contract requests. The Director of Purchasing assesses the compatibility with Section 5-112 of the Education Article, Section 13-110 of the State Finance and Procurement Article, COMAR, PGCPS Board Policy, PGCPS Administrative Procedures, and the PGCPS Purchasing Manual and guidelines, in that order. Upon review, Purchasing approves (or rejects) these letters. This approval serves as the “justification” documenting reason(s) for use of any sole or single source.

Purchasing will replace the letter of justification with a Sole/Single Source Justification Request Form for requesting departments to complete. This form will detail specific documentation and rationale required for the Director of Purchasing's Review.

Response to recommendation (b): PGCPs tracks via shared drive portals, spreadsheets, and other automated systems, the procurement methods used for contracts and the purchasing department requires departments to justify any bid exception via letter to the department.

Response to recommendation (c): Regarding, Intergovernmental Cooperative Purchasing Agreements (ICPAs), PGCPs will amend processes to provide a note to file(s) concerning the written determination of the benefits for using any particular ICPA along with the rationale for so doing in a given instance.

Response to recommendation (d): PGCPs agrees that this is an important function to ensure value and financial resource allocation within the district.

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**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Replace letter of justification with standardized Sole/Single Source Justification Request Form	Purchasing and Supply Services	July 2019
2	Track and file proof of proper pricing and benefit	Purchasing and Supply Services	July 2019
3	Create and staff compliance analyst position	Purchasing and Supply Services and Human Resources	January 2020

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**FINDING #3: CONTRACT APPROVALS AND DOCUMENTATION**

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**DESCRIPTION OF FINDING:**

PGCPs did not always obtain Board approval for contracts and did not always document its reasons for awarding competitively bid contracts to vendors that were not deemed the most qualified or the lowest cost bidders.

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**OLA RECOMMENDATION:**

We recommend that PGCPs

- a. obtain Board approval for contracts totaling \$25,000 or more as required, and

- b. ensure that contract awards are consistent with established bid evaluation criteria for technical qualifications and price.

---

**MANAGEMENT RESPONSE:**

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPS Division:* Operations (Purchasing and Supply Services)

*Management Comments:* Response to recommendation (a): There is no requirement in either Education Article 5-112 or Board of Education Policy, for the Board to approve all contracts over \$25,000. However, the Purchasing Manual does state this requirement. Management acknowledges this disconnect and will revise the Purchasing Manual to properly align this requirement. Additionally, management acknowledges the importance of notifying the Board of new contracts and will establish a means of reporting this information in advance of each Board meeting.

Response to recommendation (b): The Request for proposal (RFP) method permits discussions after proposals have been opened to allow clarification and changes in proposals provided that adequate precautions are taken to treat each offeror fairly and to ensure that information gleaned from competing proposals is not disclosed to other offerors.

For Invitations to Bid (IFBs), the Director of Purchasing has the authority to award to an offeror not ranked first in any particular evaluative category, when in the best interest of the school system. Management acknowledges that such instances should be sufficiently documented.

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**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Revise Purchasing Manual to align Board of Education contract approval requirements with state law and Board of Education policy	Purchasing and Supply Services	September 2019
2	Create a rolling contract log to provide to the Board of Education prior to each Board meeting for notification purposes	Purchasing and Supply Services	September 2019
3	Ensure that, for all new contracts, score sheets are filed in the contract folders	Purchasing and Supply Services	July 2019

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**FINDING #4: PAYROLL AND HUMAN RESOURCES SYSTEM INTERNAL CONTROLS**

**DESCRIPTION OF FINDING:**

PGCPS did not establish adequate internal controls over its automated human resource and payroll system, as user capabilities were not properly limited and supervisors were tasked with routinely approving an excessive number of time records.

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**OLA RECOMMENDATION:**

We recommend that PGCPS

- a. review the function of recording and approving timecards within the automated system, and limit employee capabilities to record and approve timecards (repeat) or otherwise institute a process for periodic verification of propriety of any changes on test basis; and
- b. review current supervisory responsibilities for approving timecards and agreeing them to supporting documentation, and to the extent practical, reduce the number of timecards these individuals are responsible for approving (repeat).

---

**MANAGEMENT RESPONSE:**

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPS Division:* Business Management Services (Payroll Services)

*Management Comments:* Comments on Recommendation (a): Management will review the current recording and approval access to ensure proper segregation of duties. Then, management will limit access as necessary while ensuring efficient workflow processes.

Comments on Recommendation (b): Management will review the current procedures that supervisors take to validate time and attendance. Additionally, management will analyze the practicality of shifting supervisory approvals to other employees.

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**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Complete review of recording and approval access	Payroll Services; Human Resources; Information Technology	June 2019
2	Implement changes from review of recording and approval access	Payroll Services; Human Resources; Information Technology	January 2020
3	Complete review of supervisory time and attendance approvals	Payroll Services; Human Resources; Information Technology	January 2020
4	Implement changes from review of supervisory time and attendance approvals	Payroll Services; Human Resources; Information Technology	June 2020



## FINDING #5: INDEPENDENT SUPERVISORY REVIEW DOCUMENTATION

### DESCRIPTION OF FINDING:

Critical human resources and payroll transactions were not always subject to a documented independent supervisory review.

### OLA RECOMMENDATION:

We recommend PGCPs perform and document independent supervisory reviews and approvals of critical human resource and payroll transactions, including manual payroll adjustments, to ensure that they are supported by appropriate documentation (repeat).

### MANAGEMENT RESPONSE:

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPs Division:* Business Management Services (Payroll Services)

*Management Comments:* While supervisory approvals did occur for changes to personnel information and salary adjustments, these approvals were not appropriately documented for audit verification. Additionally, the supervisory review process for leave payouts and one-time employee payments lacked independent validation. While all tested items were correctly processed and adequately supported, the lack of review presents a risk of error.

### CORRECTIVE ACTION PLAN:

Step	Action Item	Responsible Department	Deadline
1	Enact a method of documenting supervisory approvals for changes to personnel information and salary adjustments	Payroll Services; Human Resources; Information Technology	October 2019
2	Implement independent validation control to ensure accuracy of leave payouts and one-time employee payments	Payroll Services	November 2019

## FINDING #6: TRANSPORTATION PAYROLL DOCUMENTATION AND INTERNAL CONTROLS

### DESCRIPTION OF FINDING:

Internal controls and record keeping related to Transportation Department bus driver and bus attendant payrolls were not adequate to ensure the propriety of salary payments.

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**OLA RECOMMENDATION:**

We recommend PGCPs ensure

- a. that a standard time reporting process for documenting transportation employees' time worked (such as timesheets or time clock) is implemented and that related supporting documents or records are retained
- b. GPS data are reviewed, at least on a test basis, when time driven exceeds established route times
- c. all overtime is properly supported, approved, and recorded on the correct day in accordance with PGCPs procedures (repeat)
- d. that an employee independent of the bus driver performs a documented verification of the accuracy of all changes to permanent route assignments (repeat) and that all changes are supported by approved manifests

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**MANAGEMENT RESPONSE:**

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPs Division:* Operations (Transportation)

*Management Comments:* Comments on recommendation (a): Last year, the Department of Transportation and Payroll Services established monthly collaboration meetings to improve and standardize payroll procedures for all bus lot locations. This work concluded in October 2018 with standardized payroll reporting and monitoring forms.

Comments on recommendation (b): Fleet management technology software is used daily to produce reports and at random to analyze actual route time versus the scheduled route time. Route time verification at the bus lot level is utilized by the bus lot foreman to verify actual route time versus scheduled route time utilizing the Route/Time Verification Form. The upcoming routing system upgrade will improve GPS monitoring capability.

Comments on recommendation (c): A process was created whereby all outside-of-schedule work (including not-on-schedule runs, field trip runs and covered runs) are documented, verified and signed by the bus lot foreman and timekeepers (using the Standard Extra Work Form). All extra work must also be documented in the comments line, prior to submission of payroll, and must be approved by the supervisor.

Comments on recommendation (d): All requested route and schedule changes are now approved by the supervisor and forwarded to the scheduler and routing department for updates to the schedule.

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**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Standardize payroll reporting and monitoring forms utilized at all bus lot locations.	Department of Transportation; Payroll Services	Completed October 2018
2	Implement use of fleet management technology software to produce and analyze variance reports	Department of Transportation	Completed March 2019
3	Upgrade routing system to allow for improved GPS monitoring capability	Department of Transportation	June 2019
4	Create and utilize process whereby all extra work is appropriately documented, verified and approved	Department of Transportation	Completed October 2018
5	Establish a route/schedule-change process with appropriate supervisory approvals and schedule updates	Department of Transportation	Completed Process implemented as of January 2019

## FINDING #7: EXECUTIVE COMPENSATION CHANGE PROCESS

### DESCRIPTION OF FINDING:

PGCPS lacked a policy requiring the justification or rationale for executive employee salary increases and such increases were not reported to the Board.

### OLA RECOMMENDATION:

We recommend that PGCPS

- a. document the rationale or justification for executive employee salary increases, and
- b. establish a policy to disclose executive employee salary increases to the Board.

### MANAGEMENT RESPONSE:

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPS Division:* Human Resources

*Management Comments:* Comments on recommendation (a): Since July 2018, under new leadership, practical guidelines have been put in place to ensure that no executive receives a salary increase of more than 10%. In addition, all salary increase have to be approved by the Chief Human Resources Officer.

Comments on recommendation (b): Currently, there is a Board of Education policy (4112) that directs the CEO to present personnel appointments on the executive salary schedule to the Board of Education. Since July 2018, under new leadership, all executive appoints are provided to the Board of Education

by the CEO for final approval. Personnel action information includes hiring and salary setting.

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**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Establish guidelines to ensure that no executive receives a salary increase of more than 10%	Human Resources	Completed July 2018
2	Establish guidelines to ensure that all executive salary increases are approved by the Chief Human Resources Officer	Human Resources	Completed July 2018
3	Enforce the statement in Board of Education Policy 4112 that directs the CEO to present executive-scale personnel appointments to the Board of Education	Human Resources	Completed Policy has been appropriately enforced since July 2018

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**FINDING #8: PHYSICAL INVENTORY PERFORMANCE**

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**DESCRIPTION OF FINDING:**

Physical inventories of equipment were not conducted as required and access to the automated inventory records was not adequately restricted.

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**OLA RECOMMENDATION:**

We recommend that PGPCS

- a. conduct and document physical inventories of equipment at intervals required by its policy (repeat), and
- b. adequately restrict administrative level access to its automated inventory records to those employees requiring such access

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**MANAGEMENT RESPONSE:**

*Concurrence:* Management agrees with the audit finding.

*Responsible PGPCS Division:* Recommendation (a): Business Management Services

Recommendation (b): Information Technology

*Management Comments:* Comments on Recommendation (a): Staff is currently conducting physical inventories of equipment in all the offices and school sites. Once this comprehensive inventory is completed, staff will commence a triennial physical inventory process covering approximately one third of items each fiscal year.

Comments on recommendation (b): After reviewing the access the (IT) Asset Management System, administrative access has been restricted to the staff that work in the Technology Distribution Centers. Fifteen administrative accounts were eliminated.

**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Review access to the (IT) Asset Management System	Information Technology	Completed December 2018
2	Eliminate/Restrict Access to only individuals that need the responsibility for their job. (Eliminated 15 Administrative Accounts)	Information Technology	Completed December 2018
3	Conduct FY 2019 Triennial Physical Inventory of both inventoried assets (cost \$1,500 to \$4,999) and depreciable assets (cost \$5,000 and greater) in Fixed Assets Module	Accounting and Financial Reporting	June 2019
4	Update the Property Control Manual	Accounting and Financial Reporting; Information Technology; Internal Audit	February 2020
5	Beginning in FY 2020, conduct a physical inventory of one-third of inventoried assets and depreciable assets annually.	Accounting and Financial Reporting	Ongoing The first triennial audit will run from July 2019 through June 2022 and will repeat for each subsequent triennial fiscal year

**FINDING #9: PHYSICAL INVENTORY COMPREHENSIVENESS**

**DESCRIPTION OF FINDING:**

PGCPS equipment inventory records were not comprehensive or complete.

**OLA RECOMMENDATION:**

We recommend that PGCPS comply with its existing equipment policy by ensuring that

- a. accurate, detailed equipment records are maintained for all appropriate assets and include all applicable information, such as cost (repeat); and
- b. equipment is properly tagged for identification purposes.

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**MANAGEMENT RESPONSE:**

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPs Division:* Information Technology

*Management Comments:* Comments on Recommendation (a): Further analysis of the Information Technology Asset Management System revealed that approximately 2% of the 195,000 assets had missing information such as cost, equipment type, or model number. Staff has enacted a plan to update all of these records in accordance with the below corrective action plan. A review process will be initiated to review the asset information quarterly to ensure all pertinent information is recorded properly in the system.

In addition, a number of lost assets were improperly handled in the Asset Management System. Information Technology and Accounting and Financial Reporting will work collaboratively to create processes for recouping assets from employees when feasible and to appropriately classify non-recoupable assets as lost. This process will remove the asset from the school or office records and place it in an “unreturned state” in the asset management system.

Comments on recommendation (b): Accounting and Financial Reporting staff has commenced the process of tagging all inventoried and depreciable assets for identification purposes.

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**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Analysis of missing data in Information Technology Asset Management System	Information Technology	Completed February 2019
2	Develop process to document equipment loss when an employee does not return their equipment after terminating employment with the school district	Information Technology; Accounting and Financial Reporting	June 2019
3	Update asset records that have missing data	Information Technology	June 2019
4	Clean up assets that have not been returned to the school district since 2011. These items will be removed from Office and School records and placed in an “unreturned” organization	Information Technology	June 2019
5	Review unreturned assets within 30 days of the end of each quarter and properly document the unreturned assets in the Asset Management System	Information Technology	Ongoing The first quarterly review will occur in July 2019 (covering the period April – June 2019) and will repeat quarterly

Step	Action Item	Responsible Department	Deadline
6	Tag all applicable items during the triennial physical inventory process	Accounting and Financial Reporting	Ongoing The first triennial audit will run from July 2019 through June 2022 and will repeat for each subsequent triennial fiscal year

## FINDING #10: ERP CONFIGURATION AND CONTROLS

### DESCRIPTION OF FINDING:

The ERP and student management system databases were not configured to log certain critical security activity, nor were the ERP's account and password controls adequate. In addition, an insecure service was enabled for the student management system database.

### OLA RECOMMENDATION:

We recommend that PGCPs implement best practices prescribed by the State of Maryland Information Security Policy by

- a. logging direct changes to critical ERP and student management system's database tables and implementing regular reviews of such changes as well as other critical database security events, documenting these reviews, and retaining this documentation for future reference (repeat);
- b. establishing controls related to password complexity and history and account lockout, over the ERP applications, and
- c. disabling the insecure service on the student management system's database (repeat).

### MANAGEMENT RESPONSE:

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPs Division:* Information Technology

*Management Comments:* Comments on Recommendation (a): Information Technology will leverage database software storage to log direct changes to critical ERP and SIS tables/columns, establish a process to review such changes and retain the documentation.

Comments on recommendation (b): Password policies have already been updated to reflect the recommended complexity, history and account lockout feature for ERP.

Comments on recommendation (c): The insecure SIS database service identified by the audit has already been disabled

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**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Update password policies including establishing necessary controls	Information Technology (Technology Operations)	Completed
2	Disable insecure SIS database	Information Technology (Technology Operations)	Completed
3	Upgrade database software storage and test granular, column-level auditing & reporting features	Information Technology (Technology Operations)	May 2019
4	In consultation with business users, identify critical data elements and corresponding tables/columns	Information Technology (Technology Operations)	May 2019
5	Develop a process and assign resources for review of direct database change logs and retention of history	Information Technology (Technology Operations)	August 2019

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**FINDING #11: NETWORK SECURITY**

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**DESCRIPTION OF FINDING:**

Thirty-five publicly accessible servers were improperly located within the internal network, intrusion detection prevention system coverage for untrusted traffic did not exist, and PGCPs network resources were not secured against improper access from contractors using remote access and high school students using school computer labs and media centers.

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**OLA RECOMMENDATION:**

We recommend that PGCPs

- a. relocate all publicly accessible servers to a separate protected network zone to limit security exposures to the internal network segment (repeat),
- b. perform a documented review and assessment of its network security risks and identify how preventive mode IDPS coverage should be applied to its network for all untrusted traffic and implement this coverage (repeat),
- c. implement controls to limit contractors' network-level access to only servers and network resources that each contractor needs to access for support purposes, and
- d. restrict student network-level access to only authorized local school and headquarters instructional network resources (repeat).

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**MANAGEMENT RESPONSE:**



*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPs Division:* Information Technology

*Management Comments:* Comments on Recommendation (a): All active servers in the list are currently being protected by IDPS with encrypted traffic. Five inactive policies were removed.

Comments on recommendation (b): We are currently working to implement SSL decryption of untrusted inbound traffic and scanning that traffic with IDPS, to complete the proposed alternative to moving servers to a separate network. IDPS is already applied to all unencrypted traffic.

Comments on recommendation (c): We will work on developing ACLs specific to various contractor groups and re-assigning them to the appropriate ACL.

Comments on recommendation (d): In response to this finding, Management has already changed the configuration on all core switches to only allow telnet, ssh, and web access from BFJ, Sasscer and all Inet site routers. The district uses a variety of lower cost and regular computer devices at our student labs and in mobile carts, and not all of them are AD aware or present credentials that the network can easily decipher. Implementing and managing more granular controls with VLANs, NAC and Network Virtualization technologies while ensuring high availability of all the online resources, would be cost and resource-prohibitive for the district.

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**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Develop ACLs specific to various contractor groups	Information Technology (Technology Operations)	May 2019
2	Reassign all contractors to appropriate ACL	Information Technology (Technology Operations)	August 2019

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**FINDING #12: MALWARE PROTECTION SOFTWARE**

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**DESCRIPTION OF FINDING:**

PGCPS had not established procedures to ensure malware protection software was installed, current, and operational on all active computers, and that computers running vulnerable installed software had security updates applied.

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**OLA RECOMMENDATION:**

We recommend that PGCPS

- a. ensure that all managed computers are running current, operational versions of its malware protection software by performing periodic comparisons of computer counts between its malware protection consoles and network directory services, along with other appropriate follow-up procedures, and document these comparisons and monitoring actions and retain the documentation for future reference; and
- b. automatically update all computers for the latest versions of the malware protection software and keep its computers up-to-date for all critical security-related updates to potentially vulnerable installed software.

**MANAGEMENT RESPONSE:**

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPs Division:* Information Technology

*Management Comments:* Information Technology will purge outdated machines from consoles and retain documentation for future reference. IT will periodically check for outdated machines and apply software updates as needed.

**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Purge obsolete machines	Information Technology (Technology Support Services)	September 2019
2	Check for outdated machines and apply software update	Information Technology (Technology Support Services)	Ongoing Beginning October 2019

**FINDING #13: FINANCIAL SYSTEMS ACCESS**

**DESCRIPTION OF FINDING:**

PGCPs did not ensure that employee access to its automated financial systems was appropriate.

**OLA RECOMMENDATION:**

We recommend that PGCPs periodically ensure that employee access capabilities are appropriate and incompatible duties are segregated (repeat).

**MANAGEMENT RESPONSE:**

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPs Division:* Information Technology

*Management Comments:* Quarterly attestation will be created and mandated by all Principals, Instructional Directors, and Chiefs via an IT application. Each quarter, approvers will receive an email to verify all access they have approved as it relates to financial systems. From within the attestation application, approvers can choose to continue access or deny access.

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**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Mandate quarterly attestations for school-based staff	Information Technology (Enterprise Systems and Technology Applications)	Ongoing Beginning July 2019 and repeating quarterly
2	Mandate quarterly attestations for central office staff	Information Technology (Enterprise Systems and Technology Applications)	Ongoing Beginning October 2019 and repeating quarterly

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**FINDING #14: CONSTRUCTION CONTRACT SELECTION**

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**DESCRIPTION OF FINDING:**

PGCPS did not follow best practices for selecting pre-approved vendors for task orders and the selection process was not consistent between the construction and mechanical JOC contracts.

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**OLA RECOMMENDATION:**

We recommend that PGCPS consider relevant JOC best practices for applying a documented systematic methodology for selecting vendors, including the most advantageous price coefficient.

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**MANAGEMENT RESPONSE:**

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPS Division:* Operations (Capital Programs)

*Management Comments:* Since this audit, the Department of Capital Programs has reviewed its practices in this area and has made changes as recommended. Once Capital Programs finalizes this work, it will align with the best practices for Job Order Contracting outlined in the audit report.

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**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Review process of distributing projects to all "on call" JOC vendors	Department of Capital Programs	Completed
2	Establish standards for distributing projects to wider array of JOC vendors	Department of Capital Programs	Completed
3	Revise and publish a new administrative procedure for the rotational procurement of all prequalified and "on call" vendors	Department of Capital Programs	August 2019

## FINDING #15: CONSTRUCTION TASK ORDER REVIEW FOR JOC VENDORS

### DESCRIPTION OF FINDING:

PGCPS did not adequately review price quotes submitted by JOC vendors selected for task orders. Consequently, approved task orders contained questionable or unsupported costs.

### OLA RECOMMENDATION:

We recommend that PGCPS

- a. thoroughly review vendor price quotes for JOC task orders to ensure costs are sufficiently detailed, are appropriate and reasonable, are properly supported by the standardized pricing catalog or by price quotes for non-cataloged items (at least on a test basis), and are in agreement with contract terms; and
- b. review the above noted task orders' pricing for appropriateness and in conjunction with its legal counsel determine if any cost recoveries should be pursued

### MANAGEMENT RESPONSE:

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPS Division:* Operations (Capital Programs)

*Management Comments:* In accordance with this recommendation, the Department of Capital Programs has started to enhance its process for line-by-line review of costing materials. Management will train the appropriate staff on procedures for these reviews.

### CORRECTIVE ACTION PLAN:

Step	Action Item	Responsible Department	Deadline
1	Establish enhanced process for line-by-line review	Department of Capital Programs	June 2019
2	Train project managers on review procedures including pricing reviews	Department of Capital Programs	August 2019

## FINDING #16: ENERGY PERFORMANCE CONTRACT SAVINGS VERIFICATION

### DESCRIPTION OF FINDING:

PGCPS did not verify that guaranteed savings were achieved related to work performed under two energy performance contracts.

### OLA RECOMMENDATION:

We recommend that PGCPS develop an approach to determine that guaranteed savings are achieved as claimed in the original vendors' proposals and required by the underlying DGS contract (repeat).

### MANAGEMENT RESPONSE:

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPS Division:* Operations (Building Services)

*Management Comments:* PGCPS procured two Energy Service Company (ESCO) contracts in FY 2006. Over the next couple of years, energy conservation measures were enacted with contractual goals to reduce energy usage and associated costs. At that time, insufficient work was done to establish baselines for future comparison. Additionally, data collected over the following decade was inadequate.

Though management agrees with this finding, management does not have a cost-efficient solution for correcting this issue. Using historical data at this point will not accurately reflect savings. If PGCPS enters any similar contracts in the future, management will (1) set clear standards for measurements and calculations, (2) establish baselines at the beginning of the contract and (3) adequately track progress against the baselines according to the established standards.

### CORRECTIVE ACTION PLAN:

Step	Action Item	Responsible Department	Deadline
1	(If PGCPS enters an ESCO contract in the future), management will appropriately document standards, establish baselines and track measurements against the baselines throughout the project	Building Services; Business Management Services	Dependent on future contract  Standards will be set before contract ratification  Baselines will be established within six months of contract ratification

Step	Action Item	Responsible Department	Deadline
			Progress will be tracked annually, at a minimum, thereafter

## FINDING #17: PREVENTATIVE MAINTENANCE DOCUMENTATION AND TRACKING

### DESCRIPTION OF FINDING:

The performance of preventive maintenance was not consistently documented and tracked for monitoring purposes.

### OLA RECOMMENDATION:

We recommend that PGPCS

- a. complete and document all preventive maintenance performed in compliance with the requirements of the comprehensive maintenance plan (repeat), and
- b. complete the necessary asset assessment for its schools in order to utilize the preventive maintenance module of its automated maintenance system.

### MANAGEMENT RESPONSE:

*Concurrence:* Management agrees with the audit finding.

*Responsible PGPCS Division:* Operations (Building Services)

*Management Comments:* Building Services began implementation of a preventive maintenance module within the facility management system, in Fiscal Year 2018. The facility management system implementation team is using this data to develop standard operation procedures to ensure consistency of operations and data quality. The system is currently being used to identify and track existing preventive maintenance and establish future needs.

### CORRECTIVE ACTION PLAN:

Step	Action Item	Responsible Department	Deadline
1	Implement preventative maintenance module within the facility management system	Department of Building Services	Complete
2	Begin to document all preventative maintenance performed within the preventative maintenance module	Department of Building Services	December 2019

## FINDING #18: AUTOMATED FUEL DISPENSING SYSTEM ACCOUNTABILITY

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### DESCRIPTION OF FINDING:

PGCPS did not establish adequate accountability over access to the automated fuel dispensing system.

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### OLA RECOMMENDATION:

We recommend that PGCPS establish adequate accountability over the automated fuel dispensing system. Specifically we recommend that PGCPS

- a. develop a standard user agreement, which is signed by employees authorized to use the system, delineating employee responsibilities and inappropriate use (repeat);
- b. review card access on a periodic basis and remove access from employees who do not need the access (repeat)

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### MANAGEMENT RESPONSE:

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPS Division:* Operations (Transportation and Central Garage)

*Management Comments:* Response to recommendation (a): The Department of Transportation and the Division of Business Management Services will collaboratively establish an administrative procedure and develop a standard user agreement. These documents will control automated fuel dispensing system access and outline the rights and responsibilities, usage parameters and consequences of inappropriate use. All employees with fueling system access privileges will be required to review, acknowledge and sign the user agreement.

The current process for terminating fueling system access is manual and is therefore subject to errors. In the current process Human Resources personnel send a monthly employee separation report to Central Garage. Central Garage personnel then manually terminate access of exiting employees.

The Department of Transportation and the Division of Information Technology will explore the feasibility of implementing an automated real-time process for authorization request, verification of access, and notification of transfer and termination. If this automated option is determined to be infeasible or cost prohibitive, additional process enhancements will be added to the process to control against manual errors.

Response to recommendation (b): In addition to the changes in terminating access outlined in the response to recommendation (a) above, Central Garage personnel will review user access on an annual basis and remove access for those who have not used the fuel dispensing system.

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**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Create and publish an administrative procedure regarding access and use of the automated fuel dispensing system	Department of Transportation; Business Management Services	December 2019
2	Develop a standard user agreement for the automated fuel dispensing system	Department of Transportation; Business Management Services	December 2019
3	Determine feasibility and cost effectiveness of implementing an automated real-time process for authorization request, verification of access, and notification of transfer and termination	Department of Transportation; Information Technology	September 2019
4	(If the automated process is determined to be feasible and cost effective), implement the process	Department of Transportation; Information Technology	March 2020
5	(If the automated process is determined to not be feasible and/or cost effective), implement additional process controls to limit manual-processing errors	Department of Transportation; Information Technology	March 2020

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**FINDING #19: TRANSPORTATION ROUTING EFFICIENCY**

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**DESCRIPTION OF FINDING:**

PGCPS did not implement certain practices to promote more efficient use of its bus fleet.

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**OLA RECOMMENDATION:**

We recommend that PGCPS take steps to improve routing efficiency. Specifically, we recommend that PGCPS

- a. primarily utilize an automated routing system in developing bus routes on a system-wide basis (repeat),
- b. develop detailed policies and procedures to provide guidance for determining and revising bus routes (repeat), and
- c. establish routes to ensure capacity goals are met to the extent practical (repeat)

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**MANAGEMENT RESPONSE:**

*Concurrence:* Management agrees with the audit finding.

*Responsible PGCPS Division:* Operations (Transportation)



*Management Comments:*

The Department of Transportation has already implemented several measures to improve routing efficiency within the transportation department.

- Transportation now assigns employees to wash spare buses and buses assigned to employees on extended leave.
- Extra work is no longer recognized on scheduled routes.
- Management has addressed weekend overtime by working with Payroll Services to identify and highlight drivers paid more than 40 hours before the weekend. These reports are compared with rules of negotiated labor agreements and PGCPs policy to ensure compliance.
- Transportation posts bathroom cleaning as extra work (no longer added to the employee’s schedule).

Additionally, the Department of Transportation is implementing a routing system used by transportation schedulers and routers to support and improve timeliness and efficiency of bus routes. This system will support start and end times of routes and will monitor and reconcile daily route status by GPS based reports generated through a parent application reporting module.

Transportation will also develop time verification sheets that will allow for monitoring of the adjusted times verified by the time keeper/foreman. These sheets will be compared to GPS based reporting of the actual bus routine.

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**CORRECTIVE ACTION PLAN:**

Step	Action Item	Responsible Department	Deadline
1	Develop a standardized process during the implementation of revised Standard Operations Procedures documents and training for all locations	Department of Transportation	Completed October 2018
2	Fully implement scheduling/routing system to improve timeliness and efficiency	Department of Transportation	June 2019
3	Develop and implement time verification sheets and use them to compare to GPS-based reporting of the actual bus routine	Department of Transportation	June 2019

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