

**Wicomico County Council**  
**Open Work Session**  
**March 18, 2014**

Work sessions require written minutes that reflect each item that the public body considered, the action that the public body took on each item and each vote that was recorded. **It should be noted that at work sessions, the Wicomico County Council does not take formal action, nor is a vote taken on any item discussed.**

In attendance: Matt Holloway, President; John B. Hall, Vice President; Bob Culver, Sheree Sample-Hughes and Joe Holloway. Also in attendance was Matthew E. Creamer, Council Administrator and Melissa Holland, Recording Secretary.

Present: Dr. John Fredericksen, Superintendent; Brian Foret, Bruce Ford, Bob Langan, Desmond Hughes, Don Fitzgerald, Kim Hudson, Carolyn Elmore, Cathy Townsend, Ron Willey, Eric Goslee, Wayne Strausburg, Director of Administration; Andrew Mackel, Director of Finance and Steve Roser, Internal Auditor.

**Board of Education Work Session :**

Dr. Fredericksen and Mr. Willey came before Council. Dr. Fredericksen said the legislative audit spanned over 14 months and said the auditors were onsite from August 2012 to July 2013. He said many of their comments were helpful and changes were implemented. Dr. Fredericksen said there were no findings of abuse, inaccuracies or noncompliance of Board policies or procedures for the transactions they tested in several areas. He said they will make passwords more complex and changed more often and they will restrict some people's access. Dr. Fredericksen said there were misunderstandings as the Legislative Auditors felt the school system should follow state laws however the Board of Education has many local and federal policies which they follow and the local school system is not aware of any requirements to follow state policies in the matters the auditor questioned. He said they wanted the auditors wanted the Board to bid the health insurance which he said they do, as they are in a consortium with the county and the City of Salisbury. Dr. Fredericksen said the auditors felt that transportation should be bid. He said there are 72 contractors that operate 140 routes and the Board feels that is a good amount. He said the Board believes that small business is important. He said that Wicomico County is the 5<sup>th</sup> for highest pay for bus contractors. He said the PVA is set and he believes the county will have a hybrid system. Mr. Matt Holloway asked if any other counties in Maryland are using large contractors. Mr. Willey said he believes that the Board treats the bus contractors fairly and that the present operation is doing well. Mr. Hughes said there are not any counties on the shore which use a large contractor but he said that Talbot is public owned and Kent County has formed a LLC in response to an IRS request in 2006. Mr. Matt Holloway asked if the auditors responded to the hybrid system to which Dr. Fredericksen said the audit was focused on FY12.

**Finding #1 :** Procurement and Disbursement Cycle: User access to the automated procurement and accounts payable system was not adequately restricted.

Recommendation:

That recommended that WCPS strengthen its controls over the automated procurement and accounts payable system and processes. They suggested that WCPS restrict user access capabilities to eliminate the ability of users to perform incompatible duties and establish independent electronic approval requirements for all critical purchasing and accounts payable transactions.

Bruce Ford, Comptroller, came before Council. Mr. Ford said monitors from all the various divisions within MSDE on a regular basis monitor the programmatic aspects of each grant; Title I, Title IIA and Special Education. He said there is an annual audit from TGM Group and MSDE audit staffs audits the Board bi-annually. Mr. Ford said the first finding was user access to the automated procurement and accounts payable system was not adequately restricted. He said this had to do with restricting user access to the automated system. Mr. Ford said the Board restricted user access capabilities as soon as it was brought to management's attention. He also said that the Board has in place independent electronic approval processes for all purchasing and accounts payable transactions. He said all requests go through a work flow process. He said the paper process has been eliminated. Everything is done electronically through a work flow. He said time and staff is saved during this new process. Mr. Ford said the auditors noted that a "test of procurement and accounts payable transactions processed by WCPS disclosed that the transactions tested were for appropriate WCPS disbursements and were properly supported."

**Finding #2:** Procurement and Disbursement Cycle: WCPS does not have a formal policy on acceptable uses of corporate purchasing cards:

Recommendation: The auditors recommended WCPS establish formal guidelines, subject to Board approval, on what constitutes acceptable and unacceptable users for corporate purchasing cards.

Mr. Ford said they held the Board to a standard which they didn't realize they were being held to and that was the State of Maryland. He said they informed the auditors they are not under the jurisdiction under the State of Maryland and they report to the Board of Education and Board of Education has guidelines and procedures in place that were approved by the Board of Education. Mr. Ford said the auditors issue was with the food purchases and gift cards. He said the Board feels the current guidelines and procedures are in accordance with what they would like. Mr. Ford said that none of the Board's purchases were in violations of the procedures that are in place. Mr. Joe Holloway said that food purchases were to get parents and teachers together. He asked if a study was done to see if that is an effective practice. Dr. Fredericksen said that a typical meal that is provided to a parent night event is pizza or subs. He said when people are organizing events if there is food available a higher percentage of families will attend. Mr. Willey said there is a better chance of families attending a school event if food is offered. He said those pizzas are normally purchased through a grant specifically for that type of event.

**Finding #3 :** Human Resources and Payroll: User access to the automated Human Resource and Payroll system was not adequately restricted-

Recommendation: The auditors recommended that WCPS assign capabilities to perform critical function on the automated system only to those employees who require it to perform their job responsibilities and to ensure that a documented review of payroll transactions is performed by an independent employee.

Mr. Vince Pavic, Director of Human Resources, came before Council. He said that he did not arrive until July of 2012. He said this was addressed as soon as it was brought to the Board's attention. He said there were people that had access that they should not have had and they changed that. He said there were some bumps with the new system and access was limited. Mr. Pavic said there are more checks and balances and when a new person is brought on board they will go through someone to look at their experience and then he approves that and it is sent to Finance/Payroll and then goes back to the Director of Human Resources. Mr. Hall asked if the state follows up on the recommendations to which Dr. Fredericksen said the next audit will be in six years and if it is not corrected they will note that as well.

**Finding #4:** Human Resources and Payroll: Certain WCPS employees received pay increases larger than provided for in the Labor Agreement

Recommendation: The auditors recommended that WCPS ensure that salary increases are determined in accordance with the terms of the labor agreement and ensure all promotions are approved by the Board as required.

Mr. Pavic said the state auditors are interpreting language in the collective bargaining agreements and COMAR and the Board which the Board believes they are misinterpreting and they told that to the auditors. Mr. Pavic said in the annotated code section 4-103(a) (2) it states the Board will set their salaries within the school system. He said there are classified personnel and certificated personnel. He said the non-certificated positions to which the audit is referring to fall under the direction of Dr. Fredericksen. He said they have misinterpreted information. He said the state found 25 instances where the Board gave employees too much money but what they failed to look at is language in the handbooks which has a reclassification process and they didn't look at PPI. He said there is a pay scale but when there are positions that can't be filled a position doesn't have to begin at step one due to experience. He said that when positions are re-classed it is often because a position has been lost. Mr. Willey said they will ask the administration if there is a position that is vacant they want the best person for the job. He said if there is not some latitude in the scale of pay then the person will not accept the job. He said they want the most qualified person and that is what Dr. Fredericksen looked at. He said the Board of Education is notified and has always been notified as a monthly report is given out. Mr. Pavic even said that the administration going one step further by making the board aware of every change. Mrs. Townsend said any reclassifications go to her and Dr. Handy for approval. She said if a person receives their Associate's Degree they are automatically bumped a grade due to education attainment. She said that is the way it has been however the auditors did not

agree with the way it was done. Mrs. Sample-Hughes asked if the auditors reviewed the minutes to which Dr. Fredericksen said they even reviewed closed work session minutes.

**Finding #5** : Inventory Control and Accountability: Proper controls had not been established over equipment

Recommendation: The auditors recommend WCPS improve its procedures and controls over equipment. Specifically, they recommended that WCPS verify that all changes to equipment records, including disposals, are properly supported and approved prior to posting adjustments; ensure that appropriate identifying information is maintained in the detail records and assign capabilities to perform critical functions on the automated inventory record keeping system only to employees who require such capabilities to perform their job duties.

Mr. Ford said this has to do with fixed assets and he said the Board has accepted the recommendations and the administration is in the process of taking the necessary steps to ensure the verification of all changes to equipment; the appropriate identifying information is recorded and that system access is restricted.

Mr. Joe Holloway asked how the equipment ended up without a tag or security number. Mr. Ford said there are 27 different sites and it was failure to get an individual responsible to do it to fix the tag. Mr. Willey said some of the equipment is moved from room to room and the tags fall out and go unnoticed.

Mr. Matt Holloway asked what the process is for disposal of equipment. Mr. Ford said disposal of equipment can only happen in four means by board policy: it has to be donated to a non charitable organization; sold at an auction; recycled; or Federal recycling.

**Finding #6**: Account, Password and Monitoring controls over critical systems were not adequate:

Recommendation: The auditors recommended that WCPS establish account and password controls in accordance with the best practices prescribed by the State of Maryland DoIT Information Security Policy and log critical security and audit events on the student information and finance management databases, routinely review all security event logs, investigate questionable items, document these reviews and investigations and retain the documentation for audit verification purposes.

Mr. Bob Langan, Director of Information Technology, came before Council. Mr. Langan said there are three things to consider for passwords which are password length, complexity and frequency of change. He said they implemented on the critical systems the changes the auditors suggested immediately, while the auditors were on site. He said WCPS migrated from NOVELL to Microsoft Active Directory and that they plan to implement the same level of complexity for the staff passwords which will be done over the next year. Mr. Langan said the auditors recommended a log in tool and they bought

a commercially available tool in May of 2013 and implemented the log in.

**Finding #7:** WCPS did not have a disaster recovery plan and backup procedures for critical network devices were not sufficient:

Recommendation: The auditors recommended that WCPS develop and implement a comprehensive and consolidated disaster recovery plan that is in accordance with the State of Maryland Information Technology (IT) Disaster Recovery Guidelines and backup files of critical network device configurations at an offsite, secure, environmentally-controlled location.

Mr. Langan said the Board agrees with this finding and they now have an elaborate back up system and there is a primary backup which is backed up to another facility on the Eastern Shore. He said the financial system is backed up to Sun Guard in Pennsylvania. He said that student information system is backed up and sent to a storage provider. He said they need to review the disaster guidelines with their stakeholders and Board.

**Finding #8:** Information Technology:  
WCPS Network was not adequately secured:

Recommendation: The auditors recommended that WCPS properly configure the firewall rules to implement a “least privilege” security strategy for better protecting its critical network devices; relocate all publicly accessible servers to the external protected zone to limit security exposures to critical systems on the internal network and assess network security risks and based on this assessment, implement IRS Coverage, where necessary for Internet traffic entering its network.

Mr. Langan said since he has been on board the Board has made substantial strides in reconfiguring the network to be more secure. He said they implemented network strategy changes and intrusion detections systems. He said some of it is still ongoing. He said they sent the network staff for training and they are certified. Mr. Langan said they can now see when someone is trying to hack the system and they could not see that before. He said that the surveys have been based on student count and if there are enough devices and training and the infrastructure has to be in place. The security aspect is placed on the local boards of education.

**Finding #9:** Transportation Services: Certain payments to bus contractors were not based on market conditions or actual costs-

Recommendations: The auditors recommended that WCPS take steps to determine if buses can be used more efficiently and develop formal, comprehensive bus routing policies and procedures that include guidance regarding the impact of bus capacities and student ride times and utilize its automated routing software to develop more efficient bus routes on a system wide basis.

Mr. Desmond Hughes, Director of Transportation, came before Council. He said the auditors looked at bus capacity and ride times. He said they looked at rider ship and

didn't look at the unique characteristics that Wicomico County such as 73% of the schools are in Salisbury. He said that kids are bused from rural parts in the county and brought to Salisbury. He said that how long the kids are on the bus is important. He said that Dr. Fredericksen put on a requirement that he didn't want children picked up before 6:00 a.m. Mr. Hughes said that the Board takes more factors into consideration to evaluate than what the auditors did.

**Finding #10:** Transportation Services: Bus Routing procedures were not comprehensive and WCPS did not fully utilize its automated routing software.

Recommendation: The auditors recommended that WCPS reevaluate its method of establishing payment amounts to bus contractors in future contracts. Specifically, they recommended that WCPS use prevailing market rates, maintenance costs and fuel costs as the basis for establishing and documenting the annual per vehicle allotment, maintenance rate and fuel rate.

Mr. Hughes said they were in the process of transferring from TransFinder to Edulog. He said that TransFinder could not meet the complexities of Wicomico County and the school system transportation program is in a transitional phase. He said the new system said two more buses are needed. Mr. Hughes said some buses from Nanticoke and Bivalve can not use Upper Ferry Road but have to use Route 50 to take the children to the schools in Salisbury.

Mr. Hughes said that any local board of education that has contracted operations that provide for student transportation, the auditors always comment on this. He said that before the 1980's the state used to pay the full cost for transportation and in the late 1980's they passed the cost to the local boards of educations. He said they use the formula that the state used. Dr. Fredericksen said he believes the board is paying market conditions. He said they could just pay a base amount and not look at the PVA and fuel, however, to make it responsive to changing market conditions the other factors are needed. He said they were times the Board did not follow the formula in terms of the fuel cost. In 2008-2010 the economy was declining and fuel costs dropped and the board slashed the costs for fuel. He said the Board determined that to protect the bus contractors from losing their buses they left the fuel amount the same. He said adjustments were made and the market stabilized. He said they believe that a bus contractor gets 7.3 miles per gallon of fuel and that is the reimbursed rate and is adjusted. Dr. Fredericksen said they wanted to protect their bus contractors. Mr. Hughes said in the State of Maryland Wicomico County is 8<sup>th</sup> for PVA; 9<sup>th</sup> for fuel; and the minimum contract Wicomico County is 9<sup>th</sup>. He said that determination was made based on the 2011-2012 MSDE Fact Book it was determined

**Finding #11:** Transportation Services: WCPS did not ensure the accuracy of data used to compute certain payments to bus contractors-

Recommendations: The auditors recommended that WCPS independently verify all bus contractors' manifests to ensure that the payments to the contractors accurately reflect

the actual bus services provided; document the verification process and recover any overpayments to the bus contractors, including amounts identified in the test.

Mr. Hughes said there was a bus contractor who had falsified time and mileage reports compared to the GPS. He said the Transportation Department addressed it with the contractor and recuperated all over-payments which equaled approximately \$11,000 over two years. Mr. Hughes said they also terminated two of his contracts and the bus contractor is being continuously being monitored. He said the contractor still does the report however they check it with the GPS and said if there are any red flags they run an average of two to three months to make sure that it aligns with what is being reported. Mr. Willey said the Board has been assured that it will not occur again as it is being monitored. He said there are bus contractors who choose not to use the mileage forms and they just use the GPS. He said there are some that still use the mileage forms.

**Finding #12:** Food Services: Invoices were not adequately verified prior to payment:

Recommendation: The auditors recommended that WCPS compare invoice prices with contract or agreed-upon prices and maintain price lists for all contracts.

Eric Goslee, Supervisor for Nutrition Services, came before Council. Mr. Goslee said the invoices were verified but not specifically verified by Mr. Goslee. He said managers did verify the invoices however the auditors believed that he should verify as well. He said the Board accepted their recommendations and there is a system in place that will allow them to verify invoices from all of the different units. He said there are 24 feeding sites and a multiplicity of invoices that come in daily. Mr. Goslee said the auditors did state that their “tests of food services purchases did not disclose any inappropriate purchases.” Mr. Willey also said the auditors commented because the Board buys local produce from local farmers to allow the children to have fresh produce and the Board felt that local produce was important and the auditors did not comment.

Mr. Goslee said they buy local produce as much as possible and he said there is a week during the fall that is called “Local Farm Week” and they use local vendors from the area the school is located in. Mr. Goslee said the USDA will now be requiring schools that buy local produce to be sure that the farmer is GAP certified. He said there are only two farmers in Wicomico County who are GAP certified. GAP is good agricultural practices. He said they have to verify the farm is insured and that the farmer is not allowing animals on the farm where the produce is harvested. Mr. Matt Holloway said it is being driven by Wal-Mart. He said that most farms will be required at some point to be GAP certified. He also said that the University of Maryland offered a free service for pre-audit services before a full audit is completed.

**Finding #13:** Other Financial Controls: WCPS did not competitively bid certain health care service contracts-

Recommendations: The auditors recommended that WCPS work with its healthcare consortium members to select healthcare services vendors through competitive procurement processes.

Mr. Bruce Ford came before Council. He said the Board; the City of Salisbury and Wicomico County are in a consortium for healthcare services. He said the consortium discussed the possibility of developing a formal request for information for the upcoming contract year. He said in April of 2013 the members voted unanimously to seek a contract for the provision of services from a consultant to assist the consortium with the development of a formal RFI for healthcare services. Mr. Ford said at the June 2013 Board of Education meeting a contract was awarded to Bolton Partners to assist the healthcare consortium with completing a formal RFI process to secure the healthcare insurance contract for year beginning September 1, 2014.

**Finding #14:** Other Financial Controls: WCPS did not ensure the propriety of payments for certain employee and retiree health care costs:

Recommendations: The auditors recommended that WCPS establish procedures to verify the amounts paid for health insurance; obtain documentation to support actual claim payments and ensure audits of the claims paid by the administrator are conducted; use detailed claims payment data to ensure that all claims paid above the stop-loss limit are reimbursed by the insurer and compare its records of enrolled employees, retirees, and dependents to invoices from the administrator and determine the propriety of all administrative fees billed.

Mr. Ford said this was a new issue for a lot of boards of education around the state, as the auditors wanted the Board to audit the claims that Carefirst paid to providers such as doctors and immediate care facilities. He said they didn't realize that the auditors had access to medical records. He said they found no exceptions but recommended that a similar claims audit is done regularly by a local company. There may be a cost to audit this however that decision is up to the Board.

**Parent Action Committee :**

Kim Hudson, Board Member, a founding member of Parents in Action, said Parents in Action is still a viable group. She said that life circumstances have changed for many of the members and they are not able to attend the Council meetings. She added that the group is an entirely volunteer effort and the Board does not fund this committee in any way. Mrs. Sample-Hughes asked if this is a mechanism were if parents have concerns to allow them to be heard. She said that she has had several people contact her who have concerns at the schools and wanted to know if there was a group they could go to with their concerns. Mr. Willey said the Parents in Action as a group spoke at a Board of Education meeting regarding the budget and other issues as well. The committee as a group spoke at public venues on how to make education better. Dr. Fredericksen said there is a Parent Advisory Committee that reports to the Board twice a year. He said there is a representative from each school and a parent can speak with them. Dr. Fredericksen will send a list of representatives from each school to the Council.

**Payment for overpayment of MOE-\$88,000-**

Dr. Fredericksen said there is a reduction from this years Maintenance of Effort to next year's Maintenance of Effort and the commitment in law goes down. The MOE requirement for next year will be \$88,000 less than the current year.

Open Work Session adjourned.