



Department of Legislative Services
Office of Legislative Audits

Financial Management Practices Performance Audit Report

Howard County Public Schools

Report Dated October 23, 2009



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School Audits

- Audits are performed in accordance with State law, which requires OLA to audit all 24 public school systems once over a six-year period. As of January 2010, 18 reports have been issued.
- The purpose of the audits is to evaluate the effectiveness and efficiency of the school system's financial management practices in safeguarding assets and its use of financial resources.
- Audit approach consists of 11 functional areas previously approved by the Joint Audit Committee, as required by State law.
- When warranted, we used the work of other auditors to avoid duplication of effort.



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Functional Areas

The functional areas consisted of:

1. Revenue and Billing Cycle
2. Federal Funds
3. Procurement and Disbursement Cycle
4. Human Resources and Payroll
5. Inventory Control and Accountability
6. Information Technology
7. Facilities Construction, Renovation and Maintenance
8. Transportation Services
9. Food Services Operations
10. School Board Operations and Oversight
11. Other Financial Controls



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Overview

- FY 08 operating expenditures of \$775 million, including payroll of \$559 million.
 - Enrollment of approximately 49,900 students in 73 schools.
 - Report contains 33 findings and 21 recommendations in 10 of the 11 areas reviewed.
 - Internal control problems were noted in a number of areas, such as controls over certain cash receipts and payments to bus contractors.
 - Policies need to be developed or improved in certain areas.
 - Certain operational improvements should be made to improve effectiveness and efficiency.
 - Certain best practices were found to be in place in several areas such as human resources and payroll, facilities and cash management.
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Key Findings – Internal Controls

Revenues and Accounts Receivable – (p.9 and 10)

- Certain receipts were not always adequately safeguarded or submitted timely for deposit.

Purchasing Card Program – (p.20)

- The same employee requested and received all cards.
- No periodic evaluation of card limits or card use.
- Supervisory review of transactions was not always documented.

Information Technology – (p.35)

- Access to computer resources was not adequately restricted.

Transportation– (p.44)

- Data entered into the system used to pay bus contractors were not reviewed by an independent employee.



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Key Findings – Policies

Accounts Receivable – (p.10)

- No formal debt collection policy was established for unpaid billings (for activity such as facility rental).

Fuel Cards – (p.21)

- No policy was established governing the use of System-issued fuel cards, including monitoring and documentation requirements.

Equipment – (p.29)

- Policies should be adopted governing accountability and control of sensitive equipment items (such as computers and other electronics).



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Key Findings – Other Issues

Federal Funds – (p.15)

- All federal funds for Medicaid-subsidized services were not obtained.

Information Technology – (pgs.32-35)

- Long-term technology plan did not include measures to evaluate success or prioritize actions and costs.
- The adequacy of IT technical services had not been analyzed.
- A formal IT comprehensive disaster recovery plan was not adopted.



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Key Findings – Other Issues

Transportation – (pgs.45-47)

- System-owned fleet usage was not monitored.
- Performance measures were not developed and used to evaluate student transportation costs or contractor performance.

Food Service – (pgs.53-54)

- Student participation in meal programs was significantly below other similarly sized school systems and national averages.

Health Care Costs – (pg. 62)

- HCPS did not verify the authenticity of health care program participants and dependents, nor audit health care claims paid.