



Department of Legislative Services  
Office of Legislative Audits

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# **Financial Management Practices Performance Audit Report**

## **St. Mary's County Public Schools**

Report Dated April 9, 2009

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### School Audits

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- 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

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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

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- FY 08 operating expenditures of \$193 million, including payroll of \$142 million.
  - Enrollment of approximately 16,900 students in 24 schools.
  - Report contains 30 findings and 20 recommendations in the 11 areas reviewed.
  - Internal control problems, such as controls over cash receipts and access to the automated procurement and disbursement system, were noted in a number of areas.
  - 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 facilities, transportation and food services.
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### Key Findings – Internal Controls

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#### Cash Receipts - (p.9)

- Certain cash receipts were not adequately controlled or verified to deposit.

#### Procurement – (p. 17)

- Access to automated payment system was not adequately restricted. Controls over electronic fund transfers were insufficient.

#### Payroll – (p.23)

- Access to automated payroll system was not adequately restricted.

#### Inventory – (p. 26)

- The official inventory records did not include all IT equipment and consequently were not subject to periodic physical inventories.

#### Food Services – (p.47-48)

- Voided transactions were not reviewed or approved by managers.



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### Key Findings – Policies

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#### Procurement – (p.16)

- Current policies did not address the procurement process for purchases of \$25,000 or less, nor require Board or Superintendent approval for certain large contracts.

#### Equipment – (p.26)

- Policies did not address the disposal of equipment items.

#### Facilities – (p.34)

- The Board's role in approving change orders for construction contracts was not defined.

#### Transportation – (pgs.42-43)

- Certain payments to contractors conflicted with existing Board policy and were made without the Board's review and approval.

#### Cash Management – (p.56)

- A policy to govern the use of long-term financing had not been developed.



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### Key Findings – Other Issues

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#### Federal Funds – (p.13)

- SMCPSS had not participated in the Federal E-Rate programs since 2002.

#### Procurement – (pgs.17-18)

- SMCPSS did not maintain pricing documentation for piggybacked contracts and did not execute a contract for services received from one vendor.

#### Information Technology – (p.30)

- Passwords expiration periods were frequently excessive and sometimes not used. Active accounts were assigned to persons no longer employed.



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### Key Findings – Other Issues

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#### Facilities – (p.34)

- Documentation was frequently not retained to support the rationale for A/E contract awards.

#### Transportation – (pgs.41-42)

- Payments to bus contractors were based on criteria that may result in unnecessary payments of \$3.5 million.

#### Health Care Costs – (pg.56)

- Additional measures should be taken to control health care costs, such as verifying the propriety of participants and dependents and auditing claims.