



Department of Legislative Services
Office of Legislative Audits

Financial Management Practices Performance Audit Report

Frederick County Public Schools

Report Dated June 4, 2008



Department of Legislative Services Office of Legislative Audits

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 2009, 14 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 07 operating budget of \$410 million, including payroll of \$264 million.
- Enrollment of approximately 40,200 students in 64 schools.
- Report contains 26 findings and 18 recommendations in the 11 areas reviewed.
- Internal control problems, such as controls over automated systems, were noted in a number of areas. Better policies are needed 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 and transportation.



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Key Findings – Internal Controls

Central Office Collections – (p.9)

- Cash handling and related accounts receivable duties were not separated.

Invoice Payment & Procurement – (p.18)

- Certain employees had excessive and unnecessary access to automated purchasing and payment system functions.

Purchasing Card Program – (p.20)

- The same employee requested and received all cards and also received the credit card statements.
- No periodic evaluation of card limits or card use.

Payroll – (p.25)

- Certain employees had unnecessary access to the automated payroll system, and reports of changes made on the payroll system were not reviewed.



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Key Findings – Policies

Outreach Program Guidelines – (p.13)

- Expenditure guidelines for a \$1.3 million program designed to benefit at-risk students were not comprehensive.

Procurement – (p.19)

- No policy governing Board notification of sole source procurements (for example, \$7.2 million in first 7 months of fiscal year 2008).

Equipment – (p.28)

- Policies did not provide for adequate control of sensitive equipment items (such as computers and other electronics).

Information Technology – (p.31)

- A formal IT security policy was not adopted.

Cash Management / Debt– (p.58)

- No policies existed governing investments and long-term lease/purchase debt.



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Key Findings – Other Issues

Maintenance and Custodial Operations – (pgs.37-38)

- Automated work order system was not fully used.
- Documentation was lacking that preventive maintenance of facilities was performed.

Transportation – (pgs.43-45)

- FPCS obtained and operated a large fleet of vehicles (cars, trucks, vans) without considering actual needs or past usage.
- Performance measures were not developed and used to evaluate student transportation costs.
- Fuel credit card usage was not closely monitored.

Food Service – (p.49)

- The food service operation has operated at a loss each year from FY 2000 to 2007 and has not examined alternative methods to improve finances