



Department of Legislative Services
Office of Legislative Audits

**Financial Management Practices
Performance Audit Report**

Worcester County Public Schools

Report Dated November 1, 2010



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.
- 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.



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 09 operating expenditures of \$102 million, including payroll of \$75 million.
 - Enrollment of approximately 6,600 students in 14 schools.
 - Report contains 28 findings and 20 recommendations in 9 of the 11 areas reviewed.
 - Internal control problems were noted, such as accountability over certain cash receipts and access to the automated procurement and disbursement systems.
 - 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 federal grant management, facilities, transportation and food services.
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Key Findings – Internal Controls

Cash Receipts – (p. 11)

- Certain collections were not recorded upon receipt and independent verifications that collections were deposited were not performed.

Procurements and Disbursements – (p. 19)

- Many employees were assigned incompatible functions such as posting payment transactions, adding vendors and printing checks.

Human Resources and Payroll – (p. 22)

- Several employees could process critical payroll transactions, such as changing salaries, without independent review.

Information Technology – (pgs. 30-31)

- Passwords features could be used more effectively, logging and reporting of security events were not always enabled and a comprehensive disaster recovery plan had not been developed.



Key Findings – Transportation

Payments to Bus Contractors- (pgs. 42-44)

- Rates used for payments to contractors were not based on documented analysis for each pay element.
- Our analysis of one component of contractor pay disclosed that related payments were higher than appeared justified. Such excess payments were estimated to be \$3.9 million for buses purchased between 1996 and 2010.
- Data reported by bus contractors that was the basis for certain payments was not verified.

Bus Routing- (p. 41)

- Bus routing software was not used to assist in developing efficient bus routes.

Cost Benefit Analysis- (p. 44)

- No cost benefits analysis was prepared to determine whether continued use of contractors to provide transportation was cost beneficial.



Key Findings – Other Issues

Procurements and Disbursements – (pgs. 18-19)

- Procurement policies did not address all categories of goods and services purchased, specify procurement methods to be used, and required levels for approvals.
- Our test of 19 disbursements disclosed 5 purchases totaling \$115,000 that were not competitively bid.

Facilities Construction– (p.35)

- There was no written policy governing the bidding and awarding of construction contracts. A construction manager for school construction projects was awarded two contracts totaling \$3.9 million without a competitive procurement process.

School Board Operations and Oversight– (p. 55)

- Changes to the ethics policy were not approved by the State Ethics Commission and certain matters had not been formally addressed by its Ethics Panel.