



Department of Legislative Services
Office of Legislative Audits

**Financial Management Practices
Performance Audit Report**

Dorchester County Public Schools

Report Dated January 10, 2011



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..
- 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 09 operating expenditures of \$73 million, including payroll of \$41 million.
 - Enrollment of approximately 4,600 students in 12 schools.
 - Report contains 22 findings and 18 recommendations in 9 of the 11 areas reviewed.
 - Internal control problems were noted, such as access to the automated procurement and disbursement system and the human resources/payroll system.
 - 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

Procurement – (p. 17)

- Four employees were assigned disbursement system capabilities that allowed them to perform incompatible duties. Adequate compensating controls were not in place.

Payroll – (p. 20)

- Eight employees were assigned incompatible HR/payroll system capabilities even though none of these employees required all such capabilities to perform their job duties . Adequate compensating controls were not in place.

Equipment– (pg. 24)

- Certain employees could modify the automated inventory records for computer equipment even though they did not require such access.



Key Findings – Internal Controls

Information Technology – (pgs. 26-27)

- DCPS application security can be improved, such as using automatic password expiration and requiring greater password complexity.
- The contract for outsourced data services for financial applications did not address a number of significant security risks including data protection and data recovery.

Food Services – (pg. 45)

- The employees responsible for ordering food also received such orders without independent oversight.



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Key Findings – Policies

Procurement – (pg. 16)

- Policies did not address small procurements under \$15,000, procurement of services, or the use of sole source procurements.

Equipment – (p.23)

- DCPS did not have any formal equipment policies, including requirements for record keeping and conducting physical inventories.

Transportation – (pg. 36)

- DCPS had no policy to govern the criteria to be used for determining bus contractor payments. The methodology used was based on comparisons to other LEAs and negotiation with the contractors, and did not consider actual costs for the specific elements that comprise the payments.

Board Operations – (pg. 51)

- DCPS' ethics policy needs to be revised and approved in accordance with State law.

Cash Management – (p.53)

- Policies for cash and debt management are needed.
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Key Findings – Other Issues

Facilities Maintenance - (pgs. 31-32)

- A comparison of maintenance staffing at DCPS to national standards showed that DCPS may not be adequately staffed. A potential consequence of limited staffing is an increase in deferred maintenance. DCPS has indicated a long-standing backlog of deferred maintenance.

Transportation – (pgs. 36-37)

- Certain components of the formula used to establish bus contractor payment rates should be reevaluated as the rates used by DCPS may result in unnecessary payments of \$1 million over the life of the buses.



Key Findings – Other Issues

Board Operations – (pg. 51)

- DCPS had not had a functioning Ethics Panel (required by its policy) since February 2008.
- Required 2009 financial disclosure statements were not submitted by most filers until we inquired in May 2010.

Health Care Costs – (pg. 53)

- DCPS did not verify the authenticity of health care program participants and dependents.