



Department of Legislative Services
Office of Legislative Audits

Financial Management Practices Performance Audit Report

Garrett County Public Schools

Report Dated September 17, 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 \$60.5 million, including payroll of \$46.5 million.
 - Enrollment of approximately 4,400 students in 15 schools.
 - Report contains 28 findings and 22 recommendations in 9 of the 11 areas reviewed.
 - Internal control problems were noted, such as incompatible access capabilities of employees on the automated procurement and disbursement and payroll 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

Procurements and Disbursements – (p. 17)

- Many employees were assigned incompatible functions such as posting payment transactions, adding vendors, authorizing the disbursement of funds and printing checks.

Human Resources and Payroll – (p. 20)

- Several employees had been assigned incompatible human resources and payroll system capabilities such as adding employees, changing salaries and preparing checks.

Inventory Control and Accountability – (p. 24)

- Equipment custodians at schools also conducted annual physical inventories.

Information Technology – (p. 26)

- Passwords features could be used more effectively, logging and reporting of security events were not always enabled and IT employees were unnecessarily allowed to modify critical production and data files.



Key Findings – Transportation

Bus Routing (p. 37)

- Bus routing procedures were not adequately documented.
- Electronic routing software was not used to assist in developing efficient bus routes.

Payments to Contractors– (pgs. 38-39)

- Bus contractor rates paid were not based on documented criteria.
 - Payments to bus contractors for fuel appeared excessive resulting in higher than necessary payments of approximately \$280,000 during the 2008-2009 school year.
 - Data reported by bus contractors that was the basis for certain payments was not verified.
 - No cost benefits analysis was prepared to determine whether continued use of outside contractors to provide transportation was cost beneficial.
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Key Findings – Other Issues

Procurement and Disbursements – (p. 16)

- Procurement policies did not address all categories of goods and services purchased, specify procurement methods to be used, and required levels for approvals.

Facilities Construction and Maintenance– (p. 32)

- Change orders for construction projects were not reviewed and approved by the Board.
- Four schools were below 70 percent capacity and a formal evaluation of facility usage had not been completed.

Food Service Operations (p.46)

- GCPS' cost per meal is about \$1 higher than similar sized schools. Outsourcing, participation in food purchasing cooperatives, and formal analysis of food staff productivity should be considered.

Other Financial Controls – (p. 53)

- The authenticity of healthcare program participants' listed dependents was not verified.
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