



Department of Legislative Services
Office of Legislative Audits

Financial Management Practices Performance Audit Report

Caroline County Public Schools

Report Dated April 27, 2010



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 \$66 million, including payroll of \$46 million.
 - Enrollment of approximately 5,500 students in 10 schools.
 - Report contains 29 findings and 18 recommendations in 10 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.9)

- Schools did not retain detail records for student activity funds to sufficiently substantiate individual transactions to allow for proper review and audit.

Procurement – (p. 18)

- User capabilities to perform critical functions on the automated payment system were not adequately restricted. Procedures designed to compensate for this weakness were not adequate.

Payroll – (p.22)

- Users were assigned incompatible payroll system capabilities, which allowed them to perform critical functions without independent review.

Information Technology – (p.29)

- Computer resources were not properly secured and certain security updates were not installed.
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Key Findings – Policies

Procurement – (p.17)

- Current policies were outdated and did not address all procurement methods such as piggybacking on the contracts of other entities and sole source purchases.

Equipment – (p.26)

- Policies did not exist to address accountability and control of capital and sensitive equipment.

Cash Management – (p.56)

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



Key Findings – Other Issues

Procurement – (pg.19)

- Justification for certain sole source procurements were not documented or approved by the Board. Some contracts did not include specific deliverables and certain payments were made even though invoices did not document work actually performed.

Information Technology – (p.28)

- CCPS did not have in place a comprehensive information security program or disaster recovery plan.

Facilities – (pgs. 34-35)

- A comparison of maintenance staffing at CCPS to national standards showed that the CCPS maintenance may not be adequately staffed. CCPS could not document that required preventive maintenance tasks were performed for 36% of the tested items.



Key Findings – Other Issues

Transportation – (pgs.40-41)

- Payments to bus contractors were based on criteria that may result in unnecessary payments of \$550,000.
- Payment rates for bus contractor maintenance costs were almost five times higher than CCPS' cost rate for buses it owned and operated, representing potential excess payments of approximately \$500,000 annually.

Health Care Costs – (pg.56)

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