



Department of Legislative Services  
Office of Legislative Audits

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# **Financial Management Practices Performance Audit Report**

## **Charles County Public Schools**

Report Dated July 1, 2010

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### School Audits

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- 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

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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

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- FY 09 operating expenditures of \$338 million, including payroll of \$247 million.
  - Enrollment of approximately 26,700 students in 37 schools.
  - Report contains 25 findings and 17 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

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### Procurement – (p. 17)

- CCPS had not evaluated the propriety of user assigned capabilities to perform functions on the automated procurement and payment system for over 20 years. Due to the lack of system reports of the capabilities assigned to users, there was no assurance that appropriate controls were in place. DPCS acknowledged that some employees were provided with unnecessary or improper system access.

### Payroll – (p.23)

- Because of the lack of system reports (similar to the payment system), the propriety of the payroll system capabilities assigned to employees could not be determined.
  - Employees responsible for making adjustments impacting payroll also approved such adjustments. There was no process in place that ensured an independent review of adjustments.
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### Key Findings – Internal Controls

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#### Information Technology – (p.28)

- CCPS' password expiration and complexity requirements were lax.
- CCPS did not log certain security events and generate and review reports when events were logged.

#### Transportation – (pg. 40)

- Transportation department employees could adjust payments to bus contractors without independent review.

#### Food Service– (p.47)

- Certain food service contracts were not approved in accordance with CCPS policies.
- The individuals responsible for ordering food and supplies also received the ordered goods and maintained the related inventory records.



## Key Findings – Policies

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### Equipment – (p.26)

- Policies did not address the requirement for schools to periodically inventory sensitive equipment and compare these results to the related records.

### Human Resources – (pg. 24)

- Although CCPS made some severance payments to terminated employees, no policy existed to document the rationale or amounts of the severance payments.

### Cash Management – (p.59)

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



## Key Findings – Other Issues

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### Transportation – (pgs. 37-40)

- Although CCPS made significant payments to bus contractors for employee benefits (such as health care, leave and retirement), it had not evaluated the costs and benefits of its current bus contracting practices since 1995.
- Payments to bus contractors were based on criteria that may result in unnecessary payments of \$8 million over the useful life of the buses.

### Food Services – (pg. 49)

- CCPS used full-service kitchens in each of its 37 schools, which may contribute to higher food service costs.

### Health Care Costs – (pg.58)

- CCPS did not verify the authenticity of health care program participants and dependents, nor audit health care claims paid.