

**Summary Results of
Financial Management Practices
Performance Audits of
Local School Systems**

For Reports Issued Since January 1, 2008

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School Audits Overview

- Audits are performed in accordance with State law, which requires OLA to audit all 24 public school systems once over a six year period. Audit reports have been issued for 14 school systems to date.
- The purpose of the audits is to evaluate the effectiveness and efficiency of a 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.

Department of Legislative Services
Office of Legislative Audits

Table 1: Status of School System Audits

School System		Status as of January 29, 2009
1	Baltimore City	Completed – report issued Jan. 9, 2006
2	Prince George’s County	Completed – report issued Jan. 10, 2006
3	Queen Anne’s County	Completed – report issued Oct. 23, 2006
4	Allegany County	Completed – report issued Jan. 5, 2007
5	Carroll County	Completed – report issued Jan. 5, 2007
6	Kent County	Completed – report issued May 11, 2007
7	Washington County	Completed – report issued Aug. 6, 2007
8	Anne Arundel County	Completed – report issued Sept. 27, 2007
9	Talbot County	Completed – report issued Dec. 3, 2007
10	Harford County	Completed – report issued May 30, 2008
11	Frederick County	Completed – report issued June 4, 2008
12	Baltimore County	Completed – report issued Oct. 15, 2008
13	Wicomico County	Completed – report issued Dec. 8, 2008
14	Montgomery County	Completed – report issued Jan. 15, 2009
15	St. Mary’s County	Completed – report being drafted
16	Calvert County	In Progress
17	Cecil County	In Progress
18	Howard County	In Progress

Table 2: Background and Report Summary

Key Data	Local School System				
	Baltimore Co.	Frederick	Harford	Montgomery	Wicomico
Background at Time of Audit:					
Operating Expenditures (including payroll)	\$1.2 billion	\$410 million	\$474 million	\$2.2 billion	\$165 million
Payroll Expenditures	\$895 million	\$264 million	\$310 million	\$1.3 billion	\$112 million
Approximate Student Enrollment	105,800	40,200	39,600	137,700	14,400
Number of Schools	158	64	53	199	27
Audit Report Summary:					
Audit Report Date	Oct. 15, 2008	June 4, 2008	May 30, 2008	Jan. 15, 2009	Dec. 8, 2008
Number of Audit Report Findings ¹	18	26	28	23	21
Number of Audit Recommendations	18	18	20	19	13
Number of Functional Areas with Findings	8 of 11	11 of 11	10 of 11	11 of 11	8 of 11
Number of Findings by Functional Area:					
1. Revenue and Billing Cycle	n/a	1	2	2	n/a
2. Federal Funds	n/a	1	n/a	1	n/a
3. Procurement and Disbursement Cycle	2	4	5	3	2
4. Human Resources and Payroll	3	1	2	1	1
5. Inventory Control and Accountability	2	2	2	2	1
6. Information Technology Issues	2	4	4	4	4
7. Facilities Construction and Maintenance	6	3	3	3	4
8. Transportation Services	1	5	4	2	5
9. Food Services Operations	1	2	2	1	1
10. School Board Operations and Oversight	1	2	3	2	3
11. Other Financial Controls	n/a	1	1	2	n/a

¹ Exclusive of findings of best practices identified in each section.

Table 3: Internal Control Weaknesses

Audit Findings by Functional Areas	Local School System ²				
	Baltimore County	Frederick	Harford	Montgomery	Wicomico
Revenue and Billing Cycle – Control weaknesses over A/R and collections		Pg.9	Pg.9	Pg.11,48	
Federal Funds – Inadequate process to ensure that all Medicaid costs are recovered				Pg.16	
Procurement and Disbursement Cycle:					
a. All procurements and/or payments not properly documented or approved		Pg.19	Pg.18,40		Pg.16
b. Unnecessary or incompatible access to automated procurement system	Pg.17	Pg.18	Pg.17		
c. Credit card usage assignment, use and monitoring	Pg.18	Pg.20, 44	Pg.19	Pg.21,22	Pg.17
d. Travel expenditures need to be better controlled and documented.		Pg.18	Pg.19	Pg.23	
e. Review and approval of bank reconciliations was not performed.			Pg.20		
Payroll:					
a. Unnecessary employee access to automated payroll system	Pg.22	Pg.25	Pg.22	Pg.27	
b. Approval of payroll and leave adjustments should be documented	Pg.23				
Inventories:					
a. Inventory recordkeeping (e.g., completeness, accuracy, accountability)	Pg.28	Pg.28, 34	Pg.27	Pg.30	
b. Physical inventories not required or not conducted	Pg.29	Pg.28	Pg.28		Pg.24
Information Technology :					
a. User access to computer resources were not adequately controlled	Pg.32	Pg.33	Pg.32	Pg.34	Pg.26
b. Better control over sanitation and disposal of data storage media needed			Pg.32		
c. Anti-virus software and other security features not always used		Pg.33			Pg.27
d. Physical access to and fire/flood control of computer rooms	Pg.32	Pg.33		Pg.35	Pg.27
Facilities:					
a. Completion of preventive maintenance not always documented		Pg.38		Pg.43	
b. Better control over the change order process is needed.	Pg.42				
Transportation – Cost comparisons needed for fuel purchases			Pg.49		
Food Services:					
a. Cash handling/bank reconciliation procedures were inadequate.			Pg.10,54	Pg.54	
b. Inventory records were unreliable.		Pg.51			

² Page reference is to applicable audit report.

TABLE 4: Policy Issues

Audit Findings by Functional Areas	Local School System ³				
	Baltimore County	Frederick	Harford	Montgomery	Wicomico
Accounts Receivable – Formal collection policies were not in place				P13	
Procurements and Contracts – Inconsistent application of policies		Pg.38			
Grants – Program expenditures guidelines were insufficient					
Human Resources – Workforce planning	Pg.24		Pg.23		Pg.20
Material & Supplies – Just-in-time purchasing may save costs				Pg.30	
Information Technology:					
a. Formal disaster recovery plan and backup plans need improvement.	Pg.32		Pg.33		Pg.27
b. More system development best practices should be used.				Pg.35	
c. Outsourcing of maintenance and development needs to be evaluated.				Pg.37	
Facilities:					
a. More needs to be considered to address overcrowding.	Pg.38				
b. Better analysis of plants' physical conditions needed for planning.				Pg.41	
c. Energy management program			Pg.40		Pg.31
d. Performance measures/standards and full use of work order system	Pg.43	Pg.37	Pg.38	Pg.43	Pg.32
e. Customer satisfaction surveys could enhance maintenance efforts.	Pg.44				Pg.31
f. Maintenance work order backlog needs to be reduced	Pg.42				
g. Facilities staffing levels and outsourcing need to be better analyzed	Pg.44				
h. Employee training considerations					Pg.31
Transportation:					
a. Periodic re-evaluation of the use of bus contractors		Pg.44	Pg.46		Pg.36
b. Automated routing software not used effectively	Pg.49			Pg.47	Pg.35
c. Contractor payment/selection considerations			Pg.47,48		Pg.35,36
d. Performance measures/standards		Pg.43, 45			Pg.36
Food Services:					
a. All indirect costs were not recognized in determining self-sufficiency.	Pg.55		Pg.54		
b. Operations were not sufficiently analyzed for efficiencies.		Pg.49			Pg.41
Board Operations:					
a. No internal audit function or existing one should be enhanced			Pg.59	Pg.57	Pg.45
b. Periodic financial information and key performance indicators	Pg.59	Pg.55			Pg.45
c. Fraud or whistleblower hotline		Pg.56	Pg.60	Pg.58	
d. Code of Ethics and Financial Disclosure Statements			Pg.60		Pg.46
Other Financial Controls:					
a. Policies for Cash, Risk and/or Debt Management needed.		Pg.58	Pg.64	Pg.62	
b. Certain verifications may help to control health care costs.				Pg.62	

³ Page reference is to applicable audit report.