



Department of Legislative Services
Office of Legislative Audits

Financial Management Practices Performance Audit Report

Montgomery County Public Schools

Report Dated January 15, 2009



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. As of January 2009, 14 reports have been issued.
- 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 07 operating budget of \$2.2 billion, including payroll of \$1.3 billion.
- Enrollment of approximately 137,700 students in 199 schools.
- Report contained 23 findings and 19 recommendations in the 11 areas reviewed.
- Internal control problems, such as controls over certain revenues and payroll systems, were noted in several 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 human resources, facilities, and food services.



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Key Findings – Internal Controls

Collections and Accounts Receivable – (pgs.11, 12, 48)

- Written cash handling procedures were not developed for collections received by remote locations (not the finance office). FY 08 collections by these locations totaled \$8.8 million. Consequently, control weaknesses existed.
- Certain cash handling and accounts receivable duties were not separated. A formal debt collection policy was not established.

Purchasing Card Programs – (p.21)

- Duties of requesting and receiving cards were not separated.
- Transactions were often not recorded on logs and logs were often not reviewed by cardholder supervisors.



Key Findings – Internal Controls

Payroll – (p.27)

- A number of employees had unnecessary modification access to the automated personnel/payroll system and no one reviewed reports of changes made on the payroll system.

Information Technology – (p.34)

- Password security was not adequate and certain other security actions (such as updating security software) were not always performed.

Other Financial Controls – (p.62)

- The eligibility of health care program participants and their dependents were not verified and claims were not audited.



Key Findings – Other Issues

Procurement Card Use– (p.22)

- Policies did not address the permissibility of certain categories of expenses. Cards were used for items that did not appear to meet the objectives of the school system and documentation was not retained to ensure the propriety of all such transactions.

Materials and Supplies – (p.30)

- MCPS did not utilize just-in-time ordering for supplies (such as office supplies) to reduce storage costs and better manage cash outflow.

Facilities – (p.43)

- Certain capabilities of the work order system were not fully used. Work orders were not completed timely and performance measures not used to ensure efficient operations and productivity of staff.
 - Preventive maintenance was not adequately documented.
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Key Findings – Other Issues

Transportation – (p.47)

- Bus routing policies did not address certain factors (such as bus capacity limits) and did not ensure efficient operations because students were not required to ride a specific bus route. Available documentation showed a number of buses either over or under-utilized.

Board Operations – (pgs.57-58)

- The scope of work performed by the internal auditor was limited.
- A fraud hotline was not established.