



Department of Legislative Services  
Office of Legislative Audits

---

# Financial Management Practices Performance Audit Report

## Cecil County Public Schools

Report Dated September 10, 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 2010, 18 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.



## 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



## Department of Legislative Services Office of Legislative Audits

---

### Overview

---

- FY 08 operating expenditures of \$202 million, including payroll of \$142 million, and enrollment of 16,290 students in 30 schools.
- Report contained 26 findings and 20 recommendations in all of the 11 areas reviewed.
- Significant issues were noted in transportation and facilities maintenance and construction.
- Common theme found in several areas was the need for revised or additional procedures to improve internal controls or effectiveness of school system operations.
- Best practices were found to be in place in several areas including federal funds, procurement and the maximization of participation in the School Lunch Program.



## Department of Legislative Services Office of Legislative Audits

---

### Key Findings – Internal Controls

---

#### Cash Receipts – (p. 11)

- Independent verifications to deposit were not performed.

#### Procurements and Disbursements – (p. 18)

- Many employees were assigned incompatible functions such as adding vendors, generating purchase orders and processing payments.

#### Human Resources and Payroll – (p. 22)

- Numerous employees could process critical payroll transactions, such as changing salaries, without approval.

#### Information Technology – (p. 30)

- Many users had unnecessary access privileges and capabilities to programs and critical data files. Passwords and user logonid features could be used more effectively.

#### Transportation – (p. 42)

- Access to the bus contractor payment system was not adequately restricted.
-



## Key Findings – Facilities Maintenance/Construction

---

### Construction Project - (p. 35)

- Insufficient documentation that the details of a \$9.3 million construction project to save energy were fully disclosed to County officials.
- 40% of project's cost was for headquarters renovations with almost no energy savings.
- Almost half of the project's projected savings were due to a change in internet service providers.

### Deferred Maintenance – (p. 36)

- A comprehensive list of deferred maintenance projects was not maintained.

### Performance Measurement System – (p. 37)

- A performance measurement system that establishes standards for maintenance and custodial operations was not established.



## Key Findings – Other Issues

---

### Federal Funds – (p.14)

- All federal funds for Medicaid-subsidized services were not obtained.

### Procurements and Disbursements – (p. 19)

- Competitive bids were not always obtained when appropriate.

### Inventory Control – (p. 26)

- Equipment records included 960 items at a cost of \$1.9 million that could not be located.

### Information Technology – (p.31)

- A comprehensive disaster recovery plan had not been developed.

### Transportation – (p. 41)

- Payments to bus contractors were based on criteria that may result in unnecessary payments of \$4.3 million for buses purchased between 1997 and 2008.