



Promoting Accountability of Public Resources

AUDITOR GENERAL'S REPORT

On the Audit of the Monrovia
Consolidated school System
(MCSS)

For the period July 1, 2012 to
June 30, 2013

September, 2017

Yusador S. Gaye, CPA, CGMA
Auditor General, R.L.



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Acronyms/Abbreviations/Symbols

Acronym	Meaning
AG	Auditor General
CBL	Central Bank of Liberia
CGMA	Chartered Global Management Accountant
CMC	Cash Management Committee
CPA	Certified Public Accountant
GAC	General Auditing Commissions
GL	General Ledger
GoL	Government of Liberia
IA	Internal Audit
IB	International Bank
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
ECO bank	Ecobank Transnational Inc.
L\$	Liberian Dollar
MCSS	Monrovia Consolidated School System
PFM Act	Public Financial Management Act
PPC Act	Public Procurement and Concessions Act
PPCC	Public Procurement and Concessions Commission
PVs	Payment Vouchers
RL	Republic of Liberia
TB	Trial Balance
TOR	Term of Reference
US\$	United States Dollar



AUDITOR GENERAL'S REPORT

September 21, 2017

Hon. Adolphus Benjamin Jacobs
Superintendent
Monrovia Consolidated School System
Monrovia, Liberia

Dear Hon. Jacobs:

Compliance Report on the Monrovia Consolidated School System Period July 1, 2012 to June 30, 2013

We have audited the activities and financial transactions of the Monrovia Consolidated School System in compliance with relevant laws and regulations for the periods ended June 30, 2013 consistent with the Auditor General's mandate as provided for in Section 2.1.3 of the General Auditing Commission (GAC) Act of 2014 as well as the Audit Engagement Terms of Reference (ToR).

Management's Responsibility

This audit was conducted on the basis or understanding that the Management of the Monrovia Consolidated School System (MCSS) has the responsibility to establish and maintain internal controls necessary to:

Enable it undertake its contract awards, goods delivery, projects execution, evaluation and reporting in an effective and efficient manner as well as the preparation of documentation on the procurement/projects that are free from material misstatements whether due to fraud or error and in compliance with authorities that govern them;

Provide reasonable assurance that adopted policies and prescribed procedures are adhered to and errors and irregularities, including fraud and illegal acts are prevented or detected; and to provide us with access to the following:

- All information of which the Monrovia Consolidated School System(MCSS) is aware of that is relevant to its contract awards, goods delivery, project execution, evaluation and reporting as well as their related documentation;
- Any additional information that we may request from Management for the purposes of the review; and
- Unrestricted access to persons within the Institution from whom we determine it necessary to obtain review evidence.



Auditor's Responsibility

Our responsibility is to independently express a conclusion on the financial records of the Monrovia Consolidated School System (MCSS) based on our audit. Our work was conducted in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) Fundamental Auditing Principles and Guidelines for Compliance Audit. Those principles require that we comply with ethical requirements and plan and perform the audit so as to obtain reasonable assurance as to whether the use of the Monrovia Consolidated School System (MCSS) Funds are in compliance, in all material respects, with stated laws and regulations.

An audit involves performing procedures to obtain sufficient appropriate evidence to support our conclusion. The procedures performed depend on the auditor's professional judgment, including assessing the risk of material non-compliance, whether due to fraud or error. The audit procedures performed are those we believe are appropriate in the circumstances. We believe that the audit evidence gathered is sufficient and appropriate to provide the basis for our conclusion.

Basis for Disclaimer Conclusion

The MCSS' management did not provide documentations such as general ledger, cash register, cash receipt, vouchers, invoices, and receipts to support the expenditure of **US\$3,743,093** for the period under audit.

The Monrovia Consolidated School System's Management did not perform bank reconciliations for the period under audit. Due to the lack of bank reconciliation statements, we could not confirm that the cash and bank balances that should have been recorded were actually recorded and disclosed.

The MCSS' Management did not maintain a detailed Fixed Assets Register/listing that provides information about the cost of asset, date of purchase and coding. Due to the absence of a fixed asset Register/listing that meets the requirement of the Public Financial Management Act, we were unable to obtain reasonable assurance as to the accuracy and completeness of the assets owned by MCSS.

Disclaimer Conclusion

Based on the audit work performed, because of the significance of the matters noted in the Basis for Disclaimer paragraphs above, we are unable to, and therefore do not express a conclusion on the Monrovia Consolidated School System Management's compliance with stated laws and regulations.


Yusador S. Gaye CPA, CGMA
Auditor General, R.L.

Monrovia, Liberia
September, 2017



BACKGROUND

Background of the Monrovia Consolidated School System

The audit of the Monrovia Consolidated School System was commissioned by the Auditor General for period July 1, 2012 to June 30, 2013.

The Monrovia Consolidated School System was created by an Act of the National Legislature on December 24, 1964. The purpose of this program is to establish additional schools, combine present schools or discontinue schools for the development and improvement of the system.

It also ensures the proper and efficient conduct of the school system in a manner consonant with the general policies and regulations of the Ministry of Education.

The MCSS was also established to provide an environment for teaching, research and entrepreneurship training in science and technology for the industrial and socio-economic development of Liberia. MCSS also offers services to communities, and is open to all Liberians and entrepreneurs from around Africa and other international communities.

Key Personnel of MCSS

No	Name	Rank	Telephone number
1	Adolphus Benjamin Jacob	Superintendent	2013 to present
2	Roseline N. Sherman	Asst. Superintendent	2014 to Present
3	Felecia P. Wollor	Acting Comptroller	2013 to Present
4	G. Samuel Lavela	Director/Personnel-Human Resource	1996 to Present
7	Edwin Beyan	Director/procurement	1984 to Present

Audit Objectives

The main objective of the audit is to gather sufficient appropriate audit evidence to conclude whether the activities and financial information of the Monrovia Consolidated School System for the period July 1, 2012 to June 30, 2013 are in compliance, in all material respects with policies, procedures, applicable laws, regulations, and are free of material errors.

Audit Methodology

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial information provided by the Management of the Monrovia Consolidated School System is in compliance, in all material respects with policies, procedures, applicable laws, regulations, and are free of material errors. In furtherance of this, we undertook audit procedures as would enable us to attain the above objective.



Our audit also took cognizance of the requirements under the Auditor General's mandate as provided for under Section 2.1.3 of the GAC Act of 2014 as well as the Audit Engagement Terms of Reference (TOR). Our audit approach included observation, inquiries, inspections, re-performance, confirmation, and analytical procedures on areas we considered as high risk.

While the audit was not directed at reporting the following, we have reported on the below issues which came to our attention during the course of the audit:

- Non-effective performance of the program - relates to Management's responsibility to undertake activities in a non-effective and non-efficient manner.
- Non-delivery of goods and services – relates to Management's non-exercise of responsibility to ensure that all goods and services procured are delivered.
- Instances of non-compliance with applicable laws and regulations - relates to Management's non-exercise of responsibility to use resources, and fulfill accountability requirements, in accordance with applicable agreements, laws and regulations governing contracts award, goods and service delivery, projects execution, evaluation and reporting.
- Waste – relates to Management's non-exercise of responsibility to obtain and apply resources in an economical manner, without any public money being wasted.
- Instances of abuse - relates to Management's non-exercise of responsibility to meet the expectations of the National Legislature and the public as they relate to appropriate standards of behavior.

Limitation of Responsibility

We reviewed the systems and management controls operated by the Monrovia Consolidated School System only to the extent we considered necessary for the effective conduct of this audit. As a result, our review may not have detected all weaknesses that existed or all improvements that could be made.



1. DETAILED FINDINGS AND RECOMMENDATIONS

1.1 Financial issue

1.1.1 Expenditure without Documentation

Observation

1.1.1.1 Regulation A.3 (1) of the PFM Act of 2009 requires that "Any public officer concerned with the conduct of financial matters of the government of Liberia, or the receipt, custody and disbursement of public and trust moneys, or for the custody, care and use of government stores and inventories shall keep books of accounts and proper records of all transactions and shall produce the books of accounts and records of the transactions for inspection when called upon to do so by the Auditor General, the Comptroller General, the relevant internal auditor or any officers authorized by them."

1.1.1.2 It was observed during the conduct of the audit that **USD 3,743,093** was allotted to MCSS in the budget; conversely, the financial statement showed that the actual amount spent was **USD 3,577,243**, resulting in a variance of USD **165,850**. Notice, the administration did not provide general ledger, cash register, cash receipt book and other pertinent documentations such as payment vouchers, invoices, and receipts to support the reported expenditure for the fiscal year 2012/2013. **See table below:**

Table 1 (National Budget)*

No	Actual Per Budget (USD)	Financial Statements (USD)	Variance
1	3,743,093	3,577,243	165,850
Total	3,743,093	3,577,243	

*Source: Approved National Budget

Risk

1.1.1.3 Management's failure to provide financial records to support the basis of the expenditure for the period under audit undermines the authenticity, completeness and accuracy of its transactions.

Recommendation

1.1.1.4 The Monrovia Consolidated School System (MCSS) Management should provide the general ledger, cash register; cash receipt book and other pertinent documentations such as payment vouchers, invoices, and receipts to support expenditure for fiscal the year 2012/2013.

1.1.1.5 Going forward, management should maintain books and records to support allotments received and utilized in compliance with Regulation A.3 (1) of the PFM Act of 2009.

1.1.1.6 Management should ensure that the entity's financial records are prepared timely in accordance with IPSAS-cash basis of accounting as adopted by the Government of Liberia.



Management's Response

- 1.1.1.7 *The MCSS did not receive physical cash from the government but rather the government through the Ministry of Finance made direct payments to vendors and service providers for goods and services supplied and rendered to the MCSS. Budgetary allotment to the MCSS, if not fully expended during this period, remained within the government's coffers. Copies of vouchers raised by the MCSS Finance Department are kept in the Finance Department with coding recorded in al ledger to trace payments made on all goods and services. Additionally, about 95% of this budgetary allotment represents salaries of employees of the MCSS.*
- 1.1.1.8 *Notably, on March 20, 2013, a new Superintendent of the MCSS was sworn in. information provided herein was largely obtained from the current Comptroller who was then the Senior Accountant. Base on complaints filed by the MCSS PTA and by directive of the previous MCSS Council, the current Superintendent invited the GAC to conduct audit on transactions carried out by the former Comptroller and others. While under investigation, he took away very important documents, and that was also reported to the GAC and the Ministry of Justice. Base on the GAC findings and recommendations from that GAC audit, the former Comptroller was dismissed.*

Auditor General's Position

- 1.1.1.9 The MCSS Management's assertion did not address the issue raised. Payment vouchers, Cashbooks, trail balance and general ledgers are internal financial documents that should be prepared by the MCSS' Management to support the financial statements whether the payments were made internally or by the MFDP. As a result, the Management of MCSS is in breach of Regulation A.20 in line with the PFM Act of 2009.

1.1.2 Bank reconciliation

Observation

- 1.1.2.1 Regulation R.3 (6) of the PFM Act of 2009, stipulates that the "balance of every bank account as shown in a bank statement shall be reconciled with the corresponding cashbook balance at least once every month; and the reconciliation statement shall be filed or recorded in the cash book or the reference to the date and number thereof".
- 1.1.2.2 It was observed during the conduct of the audit that MCSS maintained Four (4) bank accounts with two banking institutions. There was no evidence that the Finance Department conducted monthly bank reconciliation on the accounts from July 1, 2012 to June 30, 2013.

Risk

- 1.1.2.3 Failure to prepare bank reconciliation could lead to untimely detection of errors, omissions or losses. Furthermore, failure to perform regular bank reconciliation could lead to the uncertainty of cash balance carried forward which could lead to possible non-compliance with laws and regulations.



Recommendation

- 1.1.2.4 The MCSS' management should provide justification for not reconciling bank accounts monthly.
- 1.1.2.5 The Management should ensure that the Finance Department staff performs bank reconciliation on a monthly basis as required by the PFM regulations.

Management's Response

- 1.1.2.6 *The Finance Department carried out bank reconciliation especially after the current Superintendent assumed office.*

Auditor General's Position

- 1.1.2.7 The MCSS' Management's assertion did not address the issue raised. The MCSS' Management should reconcile its bank accounts regularly. Therefore, the MCSS' Management is in breach of Regulation A. 20 in line with the PFM Act of 2009.

1.1.3 Undisclosed/Non tax Revenue

- 1.1.3.1 Regulation B.9. (1) of the PFM Act of 2009 states that, "A head of government agency shall fully disclose all non-tax revenues collected, Lodged or retained as part of the monthly revenue collection and quarterly Government Agency account or financial report to the Minister and the Auditor General".

- 1.1.3.2 It was observed during the conduct of the audit that the MCSS' Management did not disclose in its financial statements internally generated funds such as school fees and other related fees for the period under audit. Furthermore, analysis of the bank statements revealed that the Management of MCSS collected a total of **US\$40,133.75.00** and **LD\$4,108,955.54**, respectively. **See Table 1 below:**

TABLE 1 – Undisclosed/Non-Tax Revenue

Item	Bank	Account Name	Account Number	Amount LRD	In	Amount IN USD
1	IB	OFF SHORES	02.2010-03382-01		-	40,133.75
2	IB	MAINTENANCE	01.2000-03242-02	122,745.96		-
3	IB	FEEDING A	01.2000-03242-01	3,986,209.58		-
4	Eco-bank	FEEDING B	600147009901		-	-
TOTAL				4,108,955.54		40,133.75

Risk

- 1.1.3.3 Undisclosed financial transactions undermine the accuracy and completeness of the financial information.

Recommendation

- 1.1.3.4 The Management of MCSS should provide substantive justification for not reporting funds received from school fees and other fees.



- 1.1.3.5 Going forward, the Management should ensure full compliance with the IPSAS Cash Basis.

Management's Response

- 1.1.3.6 *We don't understand how the auditors arrived at these figures form "internally generated fees" if there were not records form the MCSS Finance Department to show or reflect such fees. Obviously, these are disclosures that are contained in the MCSS quarter and annual performance and expenditure reports presented to the MCSS Council, the MFDP and the National Legislature. These include WAEC fees and senior high school students' tuition.*

Auditor General's Position

- 1.1.3.7 The MCSS Management's assertion did not address the issue raised. Management did not disclose internally generated revenue in its financial statements. The GAC obtained the amounts from the bank statements. Again, Management is in breach of Regulation A.20 in line with the PFM Act of 2009.

1.2 Internal Control Issue

1.2.1 Fixed Asset

Observation

- 1.2.1.1 Regulation V.1 (2a & b) of the PFM Act of 2009 states that "The Head of Government Agency must take full responsibility of assets assigned to him by the General Services Agency and ensure that proper control systems exist for assets and that: (a) preventive mechanisms are in place to eliminate theft, losses, wastage and misuse" and (b) inventory level are at an optimum and economical level".

- 1.2.1.2 It was observed during the conduct of the audit that the Management of MCSS did not maintain a Fixed Assets Registry with a list of coded assets, date of purchase, cost, location and current condition. As a result, we could not verify fixed assets to establish the ownership of assets acquired for the period under review.

Risk

- 1.2.1.3 In the absence of fixed assets listing, the ownership and existence of the projects assets cannot be assured and can be susceptible to theft.

Recommendation

- 1.2.1.4 The Management of the MCSS should provide material justification for not providing fixed assets listings for all assets acquired for the period under audit.
- 1.2.1.5 Going forward, The Management should provide fixed assets listings for all assets acquired and disposed of during an audit period. Additionally, proper fixed assets and internal control policies and procedures that align with PFM regulations should be adopted and implemented for the maintenance of fixed assets.



Management's Response

- 1.2.1.6 *Upon the assumption of taking office, the current Superintendent requested the internal Auditors to take inventory of all MCSS assets. That assets inventory was completed and is now used to keep track of MCSS properties. While it is true that MCSS assets are not coded at the moment due to the fact that MCSS does not have the capacity to so, the MCSS has a policy that protects its assets. The process to establish and maintain a Fixed Assets Registry is ongoing.*

Auditor General's Position

- 1.2.1.7 The MCSS' Management should ensure that the entity's assets are coded to avoid the risk of theft and conversion to personal use. The MCSS' Management should prepare a fixed assets register/listing that meets the requirement of the PFM Act of 2009 and submit a copy of the register/listing to the Office of the Auditor General 30 days after the issuance of this report to the National Legislature.

1.2.2 Risk Assessment Process

Observation

- 1.2.2.1 Paragraph 17 of the Internal Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) states, "In most cases, the board or heads of public entity is ultimately responsible for determining whether management has implemented effective internal control including monitoring. The organization makes this assessment by (a) Understanding the risks the organization faces and (b) Gaining an understanding of how senior management manages or mitigates those risks that are meaningful to the organizations' objectives". Obtaining this understanding includes determining how management supports its beliefs about the effectiveness of the internal control system in those important areas".
- 1.2.2.2 It was observed during the conduct of the audit that there was no evidence MCSS had put in place a risk assessment process for identifying, analyzing and evaluating organizational risks. Also, there was no evidence that the Organization had a risk management policy to mitigate internal and external risks that could severely impact the achievement of the institution's objectives for the period under Audit.

Risk

- 1.2.2.3 The absence of a risk assessment process could lead to MCSS' Management not being aware of potential risks that exist within its business operations.

Recommendation

- 1.2.2.4 The MCSS' Management should provide justification why it does not have a risk assessment policy.
- 1.2.2.5 The MCSS' Council should ensure that Management performs periodic risk assessment and establish a risk management policy to enable Management to identify risks and design appropriate responses to risks that could negatively impact its ability to deliver quality service and achieve its goals and objectives.



Management's Response

- 1.2.2.6 *The MCSS risk assessment process is carried out in its Senior Management Team meetings twice a month and the MCSS' Council meeting once a month. These meetings are documented with decisions, actions and implementation strategies.*

Auditor General's Response

- 1.2.2.7 The MCSS' Management provided no documentary evidence to corroborate its claim that it has a risk management policy, and that its senior management team conducts risk assessment twice a month. Consequently, we maintain our recommendation.

1.2.3 **Audit Committee**

Observation

- 1.2.3.1 Regulation K.10 of the PFM Act of 2009 states that, the Head of government agency or government organization shall establish and maintains an audit committee for the government agency or organization for which he/she is responsible.

- 1.2.3.2 It was observed during the audit that there was no evidence that the Monrovia Consolidated School System had established an Audit Committee for the period under audit.

Risk

- 1.2.3.3 In the absence of an Audit Committee Management may not implement internal and external audit recommendations on a timely basis.

Recommendation

- 1.2.3.4 The Management of MCSS should provide justification for failing to establish an audit committee.
- 1.2.3.5 The Management of the Monrovia Consolidated School System should establish an audit committee to ensure that policies, directives, guidelines and standards for internal auditing are complied with and approved audit recommendations of both internal and external auditing, as well as, recommendations of expenditure tracking surveys are implemented.

Management's Response

- 1.2.3.6 *Management did not respond to this observation*

Auditor General's Position

- 1.2.3.7 In the absence of a response by Management, we maintain our recommendation.

1.2.4 **Internal Audit**

Observation

- 1.2.4.1 Regulation J.3 (1, 2), of the PFM Act of 2009, requires each government agency or organization to establish an Internal Audit Unit to constitute a part of the institution.



1.2.4.2 Internal audit should be vested with the responsibility to assess and review the internal control system, quality control procedures and risk management procedures in an organization. It should help the institution to identify and evaluate significant exposure to risk and improve the risk management and control systems.

1.2.4.3 The assessment of MCSS' Internal Audit Department revealed the following:

- There was no evidence that the IA is sufficiently independent. The IA reports to the head of entity and not an audit committee, and its functions are not entirely separated from the entity.
- There was no evidence that IA has an approved Audit Charter which granted unrestricted access to documents, files and personnel.
- There was no evidence of written TORs for staff in IA
- There was no evidence of an approved annual audit plans for the periods under audit.
- There was no evidence that IA submitted progress reports on a regular basis to the head of the institution, to show progress against its plans.

Risk

1.2.4.4 Failure to strengthen the institution's internal audit function could limit the scope of the unit's activities; increase the risk of management interference in the work of internal audit, thereby, compromising the reliability and integrity of financial and operational information.

Recommendation

1.2.4.5 The MCSS' management should provide justification for not having a functional Internal Audit unit.

1.2.4.6 The Management should ensure the operational independence of the Internal Audit Department by the establishment of an Audit committee within MCSS.

1.2.4.7 The Management should ensure that IA has approved Audit Charter/manual which contains code of ethics and TORs.

Management's Response

1.2.4.8 *The Internal Auditors are sufficiently independent. Three of the five internal auditors are form the Internal Audit Agency (IAA). The other two auditors are in the employ of the MCSS. They were here many years in the employ of the MCSS before the establishment of the IAA. In keeping with the Act that created the IAA, our IAs report to the IAA. There are TORs for all personnel including IAs within the employ of the MCSS. IAs do attend Senior Management Team meetings twice a month where they make report. They do submit annual work plans that are always approved and implemented. Such was the*



cleaning of the MCSS payroll through a headcount process saving the GL about Seven Hundred Thousand United States Dollars; making the MCSS the only government entity that cleaned up its payroll eliminated its supplementary payroll.

Auditor General's Position

- 1.2.4.9 The MCSS' management did not adequately address the issues raised. The Management should establish an audit committee to which the Internal Audit Unit will report to directly in line with the PFM Act of 2009. Therefore, we maintain our recommendation.

1.2.5 Strategic and Operational Plans

Observation

- 1.2.5.1 In terms of Committee of Sponsoring Organization (COSO) framework, Government entities or organizations should develop strategic or operational plans in order to ensure that their operations are ethical, orderly, economical, efficient and effective. A strategic plan is a document that outlines an entity's objectives in the long term, while an operational plan is a document that outlines an entity's objectives in the short term. These documents establish the basis for allocating resources for the achievement of organizational objectives.

- 1.2.5.2 It was observed during the conduct of the audit that there is no evidence that the management of MCSS has developed strategic and operational plans.

Risk

- 1.2.5.3 Failure to produce strategic and operational plans could lead to MCSS misdirecting its resources and not deploying resources to areas that may best achieve the entity's objectives.

Recommendation

- 1.2.5.4 The Management of the MCSS should provide justification for the lack of strategic and operational plans.
- 1.2.5.5 The Council members of MCSS should ensure the preparation of strategic and operational plans for the MCSS.

Management's Response

- 1.2.5.6 *Each department and unit within the MCSS Central Administration presents annual work plan to the office of the Director of Planning, Research and Development. These annual plans include individual school plan that are submitted through the Department of Instruction. These plans are compiled, filtered and submitted to the office of the Superintendent from where the Strategic Operational Plan of the MCSS is formulated along with the Budget Committee of the MCSS. The MCSS Strategic Operational Plan, once developed, is submitted to the MCSS Council for approval, before implementation by the Senior Management Team. The MCSS continues to make significant gains by improving learning outcomes and maximizing student' achievement as evidenced by*



students' performance data indicator. This is as a result of strategic planning and implementation.

Auditor General's Position

1.2.5.7 The MCSS' Management provided no documentary evidence to support its assertion. Therefore, we maintain our recommendation

1.2.6 Disaster Recovery Plan

Observation

1.2.6.1 According to COSO Internal Control Framework on Control Environment, the Management of an entity should develop a documented Disaster Recovery Plan to provide procedures to be followed in the event of a disaster. The plan would mitigate the loss of transaction data and information. The purpose of the plan is to minimize the effects of service interruption of the operations by:

- Specifying procedures to be followed in the event of a disaster or specific situation, especially measures to be put in place to minimize the effects of disasters;
- Assigning responsibilities to various staff members involved in the implementation of the plan;
- Specifying procedures for the restoration of normal service following a disaster.

1.2.6.2 It was observed during the conduct of the audit that the Management of MCSS did not establish a disaster recovery plan to mitigate the loss of data and information and help recover transaction data and information to ensure business continuity.

Risk

1.2.6.3 Management's failure to establish a disaster recovery plan may result in the complete loss of transaction data and information in the aftermath of a disaster.

Recommendation

1.2.6.4 Management of MCSS should provide justification for not having a Disaster recovery plan.

1.2.6.5 Management should establish a disaster recovery plan as part of its risk management strategy. This would mitigate the risk of loss of transaction data and information in the event of a mishap.

Management's Response

1.2.6.6 *The MCSS' management did not respond to this observation.*

Auditor General's position

1.2.6.7 In the absence of a response by Management we maintain our recommendation



1.2.7 Performance Appraisal

Observation

- 1.2.7.1 In terms of the COSO framework on Control Environment, the management of an entity should implement a documented Performance Appraisal Process. Performance Appraisal is a systematic evaluation of an individual with respect to performance on the job and the individual's potential for development. This should be used for staff placement, to identify staff weaknesses, and guide appropriate corrective actions.
- 1.2.7.2 During the audit, there was no evidence that the Management of Monrovia Consolidated School System had implemented a documented Performance Appraisal Process.

Risk

- 1.2.7.3 The lack of a documented Performance Appraisal Process could lead to demotivation of staff as placement and remuneration would not be based on attainment of set performance standards.

Recommendation

- 1.2.7.4 The Management of MCSS should provide justification for the absence of a Performance Appraisal system.
- 1.2.7.5 The MCSS' Management should undertake performance appraisal. This could lead to the identification of performance deficiencies of staff, help with appropriate staff placement, and serve as a rubric to promote or award deserving staff.

Management's Response

- 1.2.7.6 *All employees of the MCSS are apprised through an established regulatory process that leads to transfer, suspension and sometimes dismissals. Additionally, all our employees are civil servants who are apprised quarterly by CSA established guidelines. The MCSS has been praised by the CSA of effective appraisal of its employees.*

Auditor General's Response

- 1.2.7.7 The MCSS Management provided no documentary evidence to support its assertion. Therefore, we maintain our recommendation.

1.2.8 Policies and Procedures

Observation

- 1.2.8.1 The committee of Supporting Organization of the Treadway Commission (COSO) control framework on control activities stipulates that, "Institutions deploy control activities through policies that establish what is expected and procedures that put policies into action" policies and procedures are established and implemented to help ensure that risk responses are effectively carried out within an entity.



- 1.2.8.2 It was observed during the conduct of the audit that there was no evidence the MCSS Management developed policies and procedures to regulate the institution's activities. For example, there were no established policies and procedures for the following activities: human resource, fleet Management, gasoline, scratch cards, daily substance allowance etc.

Risk

- 1.2.8.3 The lack of policies and procedures to regulate the institution's activities may lead to discretionary decisions and abuse of public funds.

Recommendation

The MCSS Management should provide material justification for failing to develop policies and procedures to guide the activities of the institution.

- 1.2.8.4 Going forward, Management should develop and implement policies and procedure to serve as control and prevent discretionary distribution, waste and abuse.

Management's Response

- 1.2.8.5 *The MCSS does have a Standard Operation Procedural Manual from where it operates. This recent manual was developed and approved in 2014 as a result of a recommendation from the GAC Audit Report on the MCSS in 2014. Before this time, there were established operational procedures upon which the MCSS Management operated. The GAC auditors approved the use of the MCSS 2014 Standard Operational Manual. A copy of which was made available to the GAC Auditors who in fact still have the manual in their possession. Additionally, the MCSS has since developed and approved Human Resource Manual for all employees including school based personnel. The MCSS is being successful largely due to its policies implementation and strategic planning.*

Auditor General's position

- 1.2.8.6 The MCSS' Management did not address the issue raised. We indicated that there was no human resource, fleet management, gasoline, and scratch card policies in place at the MCSS. The MCSS did not provide documentary evidence that it had these policies in place. Therefore, we maintain our recommendation.
- 1.2.8.7 The MCSS's assertion that "The GAC auditors approved the use of the MCSS 2014 Standard Operational Manual" is incorrect. The GAC does not approve the operating manuals of auditees. Approval of operating manual is a management function and not an audit function.



2 ACKNOWLEDGEMENT

- 2.1 We acknowledge the cooperation and assistance provided to the GAC Audit Team by the Monrovia Consolidated School System Management and other individuals as well as institutions who contributed to the success of this audit. The efforts and commitment of GAC staff in conducting this audit are also gratefully acknowledged.


Yusador S. Gaye CPA, CGMA
Auditor General, R.L.

Monrovia, Liberia
September, 2017