


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 17, 2019

MEMORANDUM

To: Mr. Robert Sinclair Jr., Principal
James Hubert Blake High School

From: Roger W. Pisha, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2017, through November 30, 2018

Independent Activity Funds (IAFs) of Montgomery County Public Schools (MCPS) are established to promote the general welfare, education, and morale of students, as well as to finance the recognized extracurricular activities of the student body. School principals are the fiduciary agents for the IAFs charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fundraisers. They are responsible for ensuring that the IAFs are administered in accordance with Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with policies, regulations, and procedures, and to review processes for continuous improvement. Generally accepted audit procedures guide the work of the auditors who examine samples of the IAF records and financial accounts selected from documentation of various activities to verify their accuracy as well as to assess the effectiveness of financial control procedures. An IAF audit does not review every transaction or school activity but seeks to provide reasonable assurance that any significant errors or omissions in the financial records are detected.

At our January 4, 2019, meeting with you; Miss Marie L. Koch, assistant principal; and Mrs. Sandra P. Mantua, school business administrator, we reviewed the status of the conditions described in our prior audit report dated January 25, 2018, and the status of present conditions. This audit report presents the findings and recommendations resulting from our examination of the IAF records and financial accounts for your school for the period designated above.

Findings and Recommendations

Independent contractors or consultants working in schools must comply with all laws and MCPS requirements set forth in the *Procurement Manual*. MCPS Form 280-49a, *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)*, is used to document authorization/approval for all consultant/independent contractor services paid with IAF. We found that this form was completed after the work of a contractor had already begun. We recommend that the project manager initiate MCPS Form 280-49a before the

work is started to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to *MCPS Financial Manual*, chapter 15, page 2).

MCPS Form 280-46, *Independent Activity Funds Request for Payment to MCPS Employees for Services (Work) Performed*, is used to request payment from MCPS operating budget funds that will be reimbursed by a school’s IAF for work that an MCPS employee performs outside of the employee’s regular duty day. Use of MCPS Form 280-46 must be in accordance with MCPS pay rate guidelines and payroll processes (refer to MCPS Regulation DIA-RB, *Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*). We found MCPS Forms 280-46 indicating that MCPS employees had performed work outside of their regular duty day with no documentation to verify the actual hours worked, days worked, and duties performed. We also found some MCPS employees received an Extracurricular Activities (ECA) stipends in addition to being paid on MCPS Form 280-46 for the same services. We recommend that you review your process for paying employees for work performed outside of their regular duty day and pay in accordance with MCPS guidelines.

Summary of Recommendations

- MCPS Form 280-49a must be completed before work is started to document authorization and approval.
- Work performed outside the regular duty day must comply with MCPS guidelines.

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, using the attached form, please provide a written response to the Internal Audit Unit within 30 calendar days of this report. In your response, please share a detailed plan for addressing these issues, including appropriate staff training and support.

Prior to returning your completed audit action plan, please contact Mr. Brian W. Scriven, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mr. Scriven will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial agents to support you with developing a well-defined plan to address the findings.

RWP:HT:lsh

Attachment

Copy to:

Members of the Board of Education	Mr. Civin	Mr. Scriven
Dr. Smith	Dr. Johnson	Mr. Tallur
Dr. Navarro	Mrs. Dyson	Ms. Webb
Dr. Statham	Mrs. Camp	
Dr. Zuckerman	Ms. Diamond	

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: January 17, 2019	Fiscal Year: January 17, 2019
School: James Hubert Blake HS - 321	Principal: Robert Sinclair Jr
OSSI Associate Superintendent: Cheryl Dyson	OSSI Director: Brian Scriven
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>12/1/17-11/30/18</u>, strategic improvements are required in the following business processes :</p> <p>-Employment of independent contractors or consultants as well as Independent Activity Funds Request for Payment to MCPS Employees for Services (Work) Performed</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
-The principal and the school business administrator will review audit findings and identify implications for current practices and identify improvements for moving forward	Robert Sinclair	-Audit Findings -Financial Manual and Policies	-Plan for meeting with sponsors		-Meeting held on 1/15 -Plan was developed to meet with staff involved with the identified transactions
-Meeting to review audit findings and discuss implications with sponsors involved in the work. Actions include reviewing the findings and sharing upgrades for practice (having consultants approved, improved cost proposals, improved tracking of hours, adjustments to classification of MCPS employees)	Robert Sinclair Sandra Mantua	-A-Audit Findings -Financial Manual -Talking Points	-Initial Meeting- Memo from meeting -Ongoing Monitoring- production budget and financial paperwork	--Memos Signed-2/1 -Review paperwork at the start and end of each production (Principal/SBA)	Copies of memos -Copies of production paperwork
-Meeting to review audit findings and discuss implications with sponsors involved in hiring MCPS employees. Actions include reviewing the findings and sharing upgrades for practice regarding payments to MCPS employees to ensure compliance with MCPS guidelines	Sandra Mantua	-Audit Findings -Financial Manual -Talking Points	-Initial Meeting- Memo from meeting -Ongoing Monitoring- production budget and financial paperwork	-review job descriptions and documentation to verify actual hours worked (Principal/SBA)	--update ECA hours to include MCPS employee production stipends
-Continue mandatory annual financial presentation during pre-service to review and educate staff on MCPS policies and procedures to include staff members signing off on receiving training and financial handbook	Sandra Mantua	-Financial Manual -Talking Point	-Presentation/Attendance record by end of pre-service week	-Principal will check by the end of pre-service week	-Power Point Presentation -Staff signature forms

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
-Implement pre- and post-production budget meetings with drama staff to review all financial documents to ensure alignment with MCPS policies and procedures.	Sandra Mantua	-Budget Documents	-Signed budget and financial paperwork -Notes from meetings	-Principal will review documents, including meeting notes with SBA prior to signing off	- Completed and signed documentation
-Since changing SBAs in January of 2018, a change was made requiring that sponsors completely close out all financial paperwork from one event prior to starting an additional event.	Sandra Mantua	-Event Budget Documents	-Completed financial paperwork from the end of each event	-Principal will review all documentation at the conclusion of each event	-Completed event paperwork (pre- and post-)

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved <input type="checkbox"/> Please revise and resubmit plan by _____	
Comments:	
Director: <u><i>Jim W. Stein</i></u>	Date: <u><i>2/27/19</i></u>