MEMORANDUM

To: Nicola Diamond, Chief Financial Officer

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

Subject: Report on Audit of Reimbursements for External Exam Fee Reductions/Waivers for School Year 2016-2017

This audit was conducted to review compliance with the procedures outlined in your memoranda, *External Exam Fee Reductions/Waivers for Fiscal Year 2017 and Use of Independent Activity Funds to Support Implementation of External Exams*, dated November 17, 2016, and *Update on External Exam Fee Reductions/Waivers for Fiscal Year 2017*, dated March 23, 2017. These memoranda were issued to high school principals to provide information pertaining to exam fee reductions and waivers for students with financial need and the process for Montgomery County Public Schools (MCPS) reimbursement of external exam fees paid for students eligible for financial assistance. Also, guidelines were provided for use of the Independent Activity Fund (IAF) to support the implementation of Advanced Placement (AP) exams. MCPS reimbursement was limited to AP exam fees and International Baccalaureate (IB) exam and registration fees for students who met federal and state low-income eligibility guidelines. Students receiving Free and Reduced-price Meals System (FARMS) services eligible for exam fee waivers were to be asked to pay $10 per AP/IB exam. A 2017 Test Fee Waiver Application Form signed by a parent/guardian, was required for each student listed as waiver eligible to document income eligibility for exam fee assistance.

When recording payments for College Board and IB invoices in SchoolFunds Online (SFO), schools were instructed to charge all reimbursable AP/IB exam fees paid for waiver eligible students to IAF account #2150.0000, Exam Waiver/MCPS Reimbursement. Other appropriate accounts were to be charged for AP/IB fees collected from students. On June 29, 2017, MCPS issued 25 high schools and the John L. Gildner Regional Institute for Children and Adolescents their respective external exam fee waiver reimbursements for AP exam fees, and IB exam and registration fees.

We reviewed the SFO accounting records for all 26 schools, and found that, as of August 10, 2017, twenty-one of them had recorded the reimbursements received on July 3, 2017. Of those 21 schools, 16 of them correctly recorded the reimbursement in SFO account #2150.0000 as instructed. We noted one school recorded the reimbursement in its SFO general account while four other schools recorded the reimbursement directly into their SFO exam fee accounts. We also found that three schools receiving reimbursement for both AP and IB exams recorded one of the
reimbursements in the SFO exam fee waiver account #2150.000 and the other in the regular exam fee account.

We reviewed in more detail a sample of eight schools to determine whether or not all 2017 Test Fee Waiver Application Forms were on file for all students reported to MCPS as FARMS eligible for AP and IB exam fee reimbursement. We noted that two of the five schools in the sample that collected both AP and IB exam fees did not have copies of all 2017 Test Fee Waiver Application Forms on file. We further noted that three of the eight schools that collected AP exam fees did not have all 2017 Test Fee Waiver Application Forms on file. We found one school that was using Total Registration, an online internet registration service, to collect fees and register students for exams was missing over 90 of the required 2017 Test Fee Waiver Application Forms. Total Registration online system allows students to self-report Free and Reduced-price Meals System (FARMS) eligibility, and it is the test coordinator’s responsibility to obtain the signed 2017 Test Fee Waiver Application Form. The test coordinator at this school indicated FARMS verification had been completed but could provide no 2017 Test Fee Waiver Application Forms signed by a parent/guardian for these students.

We found that not all of the eight schools in our sample correctly completed their FY 2017 MCPS External Exam Fee Waiver Tracking Table and External Exam Fee Waiver Summary Report, FY 17. FARMS eligible students who do not pay the $10 fee per exam are to be issued an obligation for the amount owed for collection by the school at a later date. When eligible students receive an obligation, the $10 exam fee should be recorded on the tracking table and summary report to indicate that schools are not requesting MCPS to reimburse for those amounts that they will collect themselves at a later date. Errors noted in which schools had requested reimbursement of funds to which they were not entitled needed to be corrected by central office staff. The resulting time and effort to make the corrections caused a delay for MCPS to issue all exam fee reimbursements to the schools.

The College Board charged $93 for each AP exam taken during FY 2017. Of that amount, the College Board allows schools to retain a $9 per-exam rebate to offset exam administration costs. College Board also sends schools financial incentive rebates ranging from $250 to $3,000 depending on the number of exams administered. We noted that, as of August 31, 2017, there was a combined total ending balance of $259,022 for the 25 high schools recorded in the SFO accounts for AP Exam Fees and Exam Waiver/MCPS Reimbursements. Individual school account ending balances ranged from a negative $6,583 to a positive $40,267. Indication is that these balances have been accumulating over several years and that not all schools are using the College Board rebates for administrative fees and incentives.

We recommend that the high school financial specialists work with their respective test coordinators to convey instructions for the proper procedures for accurate completion of the MCPS External Exam Fee Waiver Tracking Table and External Exam Fee Waiver Summary Report. We further recommend that test coordinators be reminded of the requirement to obtain and retain a Test Fee Waiver Application Form, signed by a parent/guardian, for each student listed as waiver eligible who takes an exam.
This audit report is provided for informational purposes only. No response is required. Please direct any questions to me at 301-444-8650.

RWP:MJB:lsh

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