


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 10, 2019

MEMORANDUM

To: Dr. Christine C. Handy, Principal
Albert Einstein High School

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2018, through August 31, 2019

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 November 1, 2019, meeting with you, Mr. Michael G. Plank, school business administrator; Mr. Juan F. Ramos, school financial specialist; and Mr. Bryan T. Blessing, athletic director, we reviewed the status of the conditions described in our prior audit report dated November 13, 2018, and the status of present conditions. It should be noted that Dr. Christine C. Handy's appointment as principal was effective July 1, 2019. 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

At the end of Fiscal Year (FY) 2019, the IAF checking and centralized investment fund (CIF) bank account balances of \$86,723 were below the combined balances of the fund's restricted accounts,

including clubs, classes, and fundraisers, of \$113,000, causing a negative cash position of (\$26,277). This was an increase of \$2,261 from the negative cash position of (\$24,016) at the end of FY 2018. The financial management action plan, in response to the previous audit, stated that the negative account balances in the Albert Einstein High School IAF will continue to decrease. The former school principal failed to support the action plan by continuing to spend funds at a level that resulted in an increased negative cash position. Beginning immediately, a detailed plan must be developed and implemented to bring the fund into a positive cash position.

Aggregate school expenditures of general funds for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per individual staff member per fiscal year without the prior written authorization from the chief financial officer (CFO) (refer to the *MCPS Financial Manual*, chapter 20, page 5). The former principal used a personal credit card in June, 2019, for a graduation lunch and was reimbursed \$1,467 charging the IAF staff meeting refreshment account. This was done even though the school had already exceeded the \$60 allocation for Fiscal Year 2019, and approval from the CFO was not requested. We recommend that this year's allocation be closely monitored and not allow disbursements to exceed the allowed amount. Use of personal credit cards for large purchases needs to be discouraged (refer to the *MCPS Financial Manual*, chapter 20, page 8).

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 had not been completed for a photo booth contractor and was completed late for a DJ during our audit period. In the future, project manager must initiate MCPS Form 280-49A to document the authorization and approval to pay a consultant/independent contractor with IAF at a minimum of 15 days prior to the event (refer to the *MCPS Financial Manual*, chapter 15, page 2).

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card User's Guide*. By the fifth business day of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal or principal's delegate must review each cardholder's transactions and approve them by the 10th calendar day following cardholder's review, using the online reconciliation program. We found online transactions that had not been reviewed or approved based on these requirements. There was a large number of transactions that the former principal had not approved online. After receiving authority from the MCPS controller's office and with assistance from IAU, these transactions were approved by the current principal. Online purchasing card review and approval must be done based on MCPS requirements.

Funds remitted to the school's finance office by sponsors need to be jointly counted. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the financial specialist. Verification of these funds will be conducted in the presence of the remitter as soon as possible, or another school staff member (refer to the *MCPS Financial Manual*, Chapter 20, page 4). We found

that dual counting of remitted funds was not practiced increasing the likelihood of disagreements between sponsors and the financial specialist. We recommend counting remittances with a second staff member to improve controls over funds received.

Notice of Findings and Recommendations

- IAF must be managed to reduce the negative cash position and eliminate negative account balances **(repeat)**.
- Total combined expenditures for staff appreciation and meeting refreshments cannot exceed \$60 per individual staff member per fiscal year without prior approval of the CFO.
- MCPS form 280-49A: *Authorization for Consultant/Independent Contractor Funded with Independent Activity Funds (IAF)* must be used for prior approval of independent contractors.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide (repeat)*.
- Funds remitted to the finance office by sponsors need to be jointly counted.

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 Dr. Peter O. Moran, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Moran 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:KMH:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Moran

Mr. Tallur

Mr. Marella

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 12/10/2019

Fiscal Year: 2019

School: Albert Einstein High School

Principal: Dr. Cristine Handy

**OSSI Associate Superintendent:
Cheryl Dyson**

OSSI Director: Dr. Peter Moran

Strategic Improvement Focus:

As noted in the financial audit for the period **08/01/2018 through 09/31/2019**, strategic improvements are required in the following business processes:

- IAF must be managed to reduce the negative cash position and eliminate negative account balances.
- Total combined expenditures for staff appreciation and meeting refreshments cannot exceed \$60 per individual staff member per fiscal year.
- MCPS form 280-49A: *Authorization for Consultant/Independent Contractor Funded with Independent Activity Funds (IAF)* must be used for prior approval of independent contractors.
- Purchase card activity must comply with the MCPS Purchasing Card User's Guide
- Funds remitted to the finance office by sponsors need to be jointly counted.

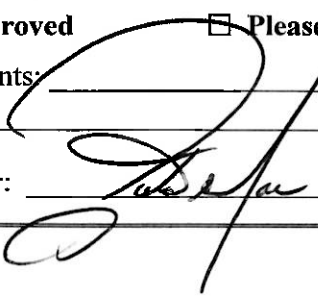
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
We have followed the advisement of the auditors to reduce the negative balance and once received, the Ce Phone Tower funds will be applied to eliminate the negative balance and the Principal, supported by the SBA and SFS will monitor all expenditures on a regular basis.	Principal supported by SBA and SFS.	Access to all Financial systems	Monthly financial reports of account balances	Principal, SFS and SBA on a monthly basis and no later than the 15 th of each month.	All school accounts will have a positive balance.
Funds intended for the expenditure for staff appreciation and meeting refreshments will be monitored by the SFS and SBA.	Principal supported by the SBA and SFS.	Access of all Financial systems	Monthly financial reports of the staff appreciation account	SBA and SFS will review all budgets to adhere to MCPS guidelines.	Adherence to the policies and guidelines associated with staff appreciation and meeting refreshments.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
SBA, SFS and sponsors will ensure that all documents required to support Form 280-49a, including invoices and contracts, are completed properly. SFS will verify the documents and type up Form 280-49a for every contractor / vendor service utilized.	SBA, SFS, and sponsors supported by SFS.	Vendor/contractor contracts.	FMS Contracts Form 280-49a.	SBA and SFS will work with IAF sponsors at the time of requests.	Adherence to the policies associated with the payment to vendors and independent contractors.
The Principal or Principal's designee, supported by the SBA and SFS will review each cardholder's transactions and approve them by the 10 th calendar day using the online reconciliation program.	Principal, Principal's delegate, SBA and SFS.	J. P. Morgan monthly statement	J.P. Morgan statements monitored by the 10 th calendar day.	SFS and SBA will monitor activity on a monthly basis.	Adherence to the MCPS requirements outlined in the Purchasing Card User's Guide for use of MCPS purchasing cards.
The SFS or the SFS delegate and the remitter will jointly count all deposited funds.	SFS supported by SBA. IAF sponsor supported by SFS/SBA	Allotted time Acknowledgement statement	Signed deposit slips / receipts	SBA and SFS on a weekly basis	Adherence to the policies associated with sound accounting practices and effective internal control procedures as outlined in the MCPS Financial Manual.

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

Approved Please revise and resubmit plan by _____

Comments: _____

Director:  _____ Date: 1/16/20