


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 3, 2017

MEMORANDUM

To: Dr. Yong-Mi Kim, Principal
Herbert Hoover Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2016, through July 31, 2017

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. Principals are the fiduciary agents for the IAFs and are charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fund-raisers. They are responsible for ensuring that the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with MCPS 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 there is compliance with MCPS policies, regulations, and procedures and that any significant errors or omissions in the financial records are detected.

At our September 22, 2017, meeting with you and Mrs. Susan B. Mapes, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated February 10, 2016, 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

Aggregate school expenditures of general funds for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year (through Fiscal Year 2017) without the prior written authorization from the chief operating officer (COO) (refer to *MCPS Financial Manual*, chapter 20, page 5). We found that

you exceeded the total amount allowed in Fiscal Year 2017, without the approval of the COO. We recommend adherence to the revised guidelines for calculating the staff appreciation and refreshment spending limit (refer to attached memorandum dated August 31, 2017, *New Process for Calculating Staff Appreciation and Refreshment Spending Limit*).

We also found instances in which staff appreciation and refreshment expenditures were incorrectly classified, and not recorded in the School Funds Online (SFO) accounting system according to the chart of accounts. These posting errors increase the time required to determine whether or not guidelines have been followed and decrease the value of your financial reports for decision-making. We recommend you correctly classify and record these transactions for more accurate accountability.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card User's Guide*. By the fifth 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 original purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. We found that most cardholders had not promptly prepared their monthly statements, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions by signing monthly statements to verify review or by reviewing online as required. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Summary of Recommendations

- Total combined expenditures for staff appreciation and meeting refreshments may not exceed the spending limit per fiscal year without prior approval of the COO (**repeat**).
- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded in accordance with the SFO chart of accounts (**repeat**).
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).

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. Michael J. Zarchin, director of school support and improvement of middle schools. Based on the audit recommendations, Dr. Zarchin 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 administrative secretary to support you with developing a well-defined plan to address the findings.

RWP:KMH:lsh

Attachments

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Williams

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Tallur

Dr. Zarchin

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: Herbert Hoover MS - 228

Principal: Yong Mi Kim

Fiscal Year: 2017/2018

OSSI

Associate Superintendent: Dr. Darryl Williams

OSSI

Director: Dr. Michael Zarchin

Strategic Improvement Focus:

As noted in the financial audit for the period 1/1/16-7/31/17, strategic improvements are required in the following business processes :


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Total combined expenditures for staff appreciation and meeting refreshments may not exceed the spending limit per fiscal year without prior approval of the COO	Kim/Mapes		Adherence to 8/31/17 New Process for Calculating Staff Appreciation and Refreshment Spending Limit	Monthly evaluation when reviewing SFO to monitor the account accumulations for staff apprec	We continually evaluate perimeters as specified by the IAF for Staff Apprec. the new process for calculating the refreshments will be helpful
Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded in accordance with the SFO chart of accounts	Kim/Mapes		Adherence to 8/31/17 New Process for Calculating Staff Appreciation and Refreshment Spending Limit	Careful detail in examining the 280-54 to be sure the correct accounts are designated for staff appreciation	The internal audit clarified the correct identification of accounts charged for staff appreciation
Purchase card activity must comply with the MCPS Purchasing Card User's Guide	Ajamian/ Kim/Mapes		More acuity and careful evaluations to utilize the MCPS Purchase Card Users Guide	Ongoing care is provided by administration with reporting promptly and approving purchases	1) We have reached out to Jack Dodson to work out complexities with JP Morgan Landscape Report and to communicate how to achieve positive results
					2) AP and Principal will provide timely landscape reports and supporting documents

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

Approved
 Please revise and resubmit plan by _____

Comments:

Director: 
 Date: 11-7-17