


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 28, 2019

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
August 1, 2017, through January 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 March 25, 2019, 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 October 3, 2017, 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 individual staff member, per fiscal year, without the prior written authorization of the chief financial officer (CFO) (refer to *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded in accordance with the IAF chart of accounts. We found that you exceeded the total amount allowed

in FY 2018, without approval of the CFO. We also found instances in which expenditures for these items were incorrectly classified and recorded in various accounts. Such commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision making. We recommend that you adhere to the MCPS requirements, as well as 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 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 must review each cardholder's transactions and approve them by the 10th of the following month, using the online reconciliation program. The principal's card transactions are to be reviewed and approved by the respective director of learning, achievement, and administration, Office of School Support and Improvement. We found that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online in a timely manner. 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 \$60 per individual staff member per fiscal year without prior approval of the CFO **(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. 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 financial specialist to support you with developing a well-defined plan to address the findings.

RWP:SMY:ish

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Moran

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2018/2019	Fiscal Year: 2018/2019
School: Herbert Hoover MS - 228	Principal: Dr. Yong Mi Kim
OSSI Associate Superintendent: Dr. Darryl Williams	OSSI Director: Dr. Peter Moran
Strategic Improvement Focus: As noted in the financial audit for the period <u>8/1/17-1/31/19</u> , 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 \$60 per individual staff member per fiscal year without prior approval of the CFO	Kim/Mapes		Adherence to 8/31/17 New Process for Calculating Staff Appreciation and Refreshment Spending Limit.	SFO Monitoring and examination to be sure overspending does not occur in staff appreciation	We will look for areas to reduce food and staff spirit wear costs we made improvement however we will work even harder to reduce costs
Purchase card activity must comply with the MCPS Purchasing Card User's guide	Kim/Ajamian/ Wepasnick/ Mapes		We will review the MCPS Purchase Card User's Guide with each card holder and try to monitor more carefully and promptly monthly statements	All card holders will work harder to meet deadlines and bringing purchase card usage into conformity	AP, Admin, Secretary and the Principal will use online reconciliation program to identify, describe, and review transactions and meet deadlines.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

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

Approved Please revise and resubmit plan by _____

Comments:

Director: _____

Date: 6/3/19