


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 31, 2019

MEMORANDUM

To: Dr. Alana D. Murray, Principal
Shady Grove Middle School

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

Subject: Report on Audit of Independent Activity Funds for the Period
February 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 October 22, 2019, meeting with you and Mrs. Sharon A. Buyukcan, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated March 23, 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

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, page 4). There is also a requirement for adequate documentation to support the procurement of the goods and services, such as an original invoice, or itemized receipt. In our

sample of disbursements, prior approval was not consistently obtained, MCPS i-receivable payments did not have an approved 280-54, and payments were made without an original invoice attached causing a duplicate payment to occur. We recommend that MCPS Form 280-54 be prepared by staff and signed by the principal as pre-approval for IAF purchases prior to orders being placed. MCPS i-receivable disbursements need to have form 280-54 completed and signed by the principal to acknowledge the distribution of funds from the IAF account. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements.

The source of IAFs that pay for staff development expenditures cannot be student generated (refer to MCPS Financial Manual, Chapter 20, page 10). We found that student picture commissions were incorrectly posted to the staff vending commission account, which were then subsequently transferred to the staff development account, which led to use of student picture commission to fund staff development. Immediate attention is required to ensure accurate receipting of funds and analysis of the source of funds used for staff development in order to avoid using student generated funds for this purpose.

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. If payment due for the vendor's services totals \$1,500 or more during a calendar year, a financial management system (FMS) generated purchase order is also required. We found that this form had not been completed for all payments to independent contractors during our audit period. We recommend that the project manager initiate MCPS Form 280-49a to document the authorization and approval to pay a consultant/independent contractor with IAF, and if expenditure will be \$1,500 or more a purchase order is completed in FMS (refer to *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 must review each cardholder's transactions and approve them by the 10th of the following month, using the online reconciliation program. We found that some cardholders had not promptly prepared their monthly statements and provided their purchase receipts for timely approval. We also found outstanding transactions for review and approval within the online system. In your Financial Management Action Plan dated April 4, 2018, you indicated that the JP Morgan accounts will be updated and will be accurate. We recommend that this action be followed with obtaining additional training with the IAU team to eliminate outstanding transactions and institute deadlines for staff to prepare purchasing card statement reports with back-up to comply with MCPS requirements.

According to MCPS field trip guidelines, schools are to reimburse MCPS for the cost of a substitute teacher needed for a teacher attending a field trip. We found instances in which substitutes were needed for teachers attending field trips, but payment for the cost of these

substitutes was never sent to the Division of Controller. Your Financial Management Action Plan from your prior audit did not address how you were going to resolve this issue. We recommend that the school complete MCPS Form 203-2, *School reimbursement for MCPS Substitute Teacher Coverage*, attach an IAF check for the amount calculated on the form and promptly send to the Division of Controller.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchase documentation must be adequate to support disbursements.
- Staff development expenditures must be funded from non-student revenue sources.
- Independent contractor payments must comply with MCPS Regulation DIA-RB.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).
- MCPS must be reimbursed for the cost of substitutes for field trips (**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. Sarah E. Sirgo, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Sirgo will indicate whether she 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.

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

Mr. Tallur
Dr. Sirgo
Mr. Marella
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2019	Fiscal Year: 2019
School: Shady Grove MS - 521	Principal: Dr. Alana Murray
OSSI Associate Superintendent: Mrs. Cheryl Dyson	OSSI Director: Dr. Sarah Sirgo
Strategic Improvement Focus: As noted in the financial audit for the period <u>2/2018- 8/2019</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
All staff have been trained and reminded to use Form 280-54. Purchases will be rejected unless pre-approved by Dr. Murray. All invoices and receipts for the purchase will be signed and dated by the receiver. All I-Receiveable disbursements will have a signed and approved Form 28-54	Financial Specialist, Principal, Staff requesting purchase	N/A	Staff will be trained and informed of proper practices and procedures	Dr. Murray Ms. Hyman Ms. Buyukcan (Monthly)	Completed Form 280-54, with documentation of purchase, and receipt of purchase, signed by receiver.
All receipted funds will be reviewed and deposited in correct account as per MCPS Financial Manual. A review of Staff Development Funds has been discussed with Dr. Murray. Person(s) Responsible: Financial Specialist, Principal	Financial Specialist; Principal	N/A	Month End Sponsor Reports	Dr. Murray Ms. Hyman Ms. Buyukcan (Monthly)	On going, as needed
All Independent Contractors will complete Form 280-49a, and attain prior approval from Dr. Murray. The only contractors are ATD Landscaping and a reptile assembly for Outdoor Ed. A review of all vendors, contracts and requests have been discussed with Dr. Murray	Financial Specialist; Principal	N/A	Ensure form 280-49a are completed by Independent Contractors.	Dr. Murray Ms. Hyman Ms. Buyukcan (Annually)	On going, as needed
An email reminder is sent to cardholders, on monthly reports and transactions review. This will continue and it appears there are issues with online approval platform that auditor unit will address. Dr. Murray will continue to review and approve each cardholder transactions as per MCPS Regulations. She is currently working with auditors	Financial Specialist, Principal	Copy of Receipts	Copy of receipts must be given to the Principal for proof of purchase.	Dr. Murray Ms. Hyman Ms. Buyukcan	Monthly email reminders are sent out 1st of the month Meeting notes with Auditors by Jan. 2020.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
on past due approvals					
I have included on my Field Trip Checklist to have a confirmation of MCPS Form 203-2, sent to Payroll and to employee listed on form.	Financial Specialist, Principal, Staff		This item has been added to the checklist form HR confirmation	Dr. Murray Ms. Hyman Ms. Buyukcan	On going

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

Approved **Please revise and resubmit plan by _____**

Comments: *The team has evidence of continued operational and supervisory structures that will contribute to fiduciary responsibility.*

Director: *[Signature]* Date: *11/13/2019*