


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 6, 2020

MEMORANDUM

To: Dr. Robert W. Dodd, Principal
Walt Whitman 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 December 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 and 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 9, 2020, meeting with you, Ms. Elizabeth L. Hillard, school business administrator and Mrs. Joy L. Garnett, school financial specialist, we reviewed the prior audit report dated December 26, 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

Effective internal control includes the principal's receipt and review of the previous month's bank statements, including cancelled check copies, School Funds Online (SFO) Year-To-Date general ledger reports, and the bank reconciliation report by the 20th of each month. Agreement of balances on these documents and review of cancelled checks, supports fiscal responsibility for the use of the IAFs. We found that the monthly financial report review was not completed in a timely

manner and check copies were missing from bank provided documents. We recommend timely completion of the month end process with complete records in order to confirm accurate financial reporting of the IAFs (refer to the *MCPS Financial Manual*, chapter 20, page 9).

The procurement of goods and services must be approved in writing by the principal prior to staff proceeding with any commitment to expend IAFs. This prior written approval may be granted by obtaining the principal's signature on MCPS Form 280-54, *IAF Request for a Purchase*, or by the principal's review and approval of a budget prepared by the sponsor of a school activity. The sponsor cannot exceed projected expenditures in the approved budget without receiving additional principal approval through a revised budget or the use of MCPS Form 280-54. The financial agent is responsible for monitoring budgets to ensure expenditures conform to what the principal has approved. In your financial management action plan in response to the previous audit, you stated that there would be zero 280-54s and budgets not properly approved. The plan results were not obtained indicating less than full cooperation of school staff involved in IAF activities. We found that prior written approval was not consistently obtained for purchases, the MCPS i-Receiveable disbursements had not been reviewed and authorized for payment by the principal, and several line items on the athletic budget had been overspent. We recommend that MCPS Form 280-54 be submitted by staff for principal's approval prior to making any commitment of IAFs and also for the payment of all iReceivables. We further recommend that, if necessary, the approved athletic budget be monitored and revised, or that MCPS Form 280-54 be utilized to support prior approval of expenditures exceeding the original budget (refer to the *MCPS Financial Manual*, chapter 20, pp. 4-5).

The two basic purposes for raising and disbursing of IAFs are to promote the general welfare, education, and morale of students and to finance the recognized extracurricular activities of the student body. IAFs cannot be used to recognize individual staff members in a school. We found that IAF general funds were used to purchase retirement gifts for staff. It is recommended that only staff-owned accounts, which can be maintained in the IAF, be used for this purpose.

Independent contractors or consultants working in schools with student contact must be verified by the MCPS Procurement Unit. 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. Your financial management action plan stated that there would be zero findings of purchases made without fully completed Form 280-49A. We found that specific contractors from the previous audit had the form completed during this audit, but the form was not used for other types of contractors. We recommend providing information to sponsors regarding the required use of MCPS Form 280-49A in order to follow the procedures for hiring and paying all consultants/independent contractors with IAF (refer to the *MCPS Financial Manual*, chapter 15, page 2 and appendix D).

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, or the statement of account landscape report, must be printed and provided to the approver, with all purchase receipts and invoices attached. The reviewer must review each

cardholder's transactions and approve them by the tenth business day of the following month, using the online reconciliation program. We found that some cardholders had not promptly prepared their monthly statements, attached their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the reviewers had not approved all transactions, using the online reconciliation program, in a timely manner. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected for IAF activities should be remitted promptly to the school financial specialist to minimize the risk of loss. We found that student collections were being held by sponsors. We recommend that staff be encouraged to submit cash and checks collected for IAF activities to the school financial specialist for prompt deposit in accordance with MCPS policy and procedures (refer to the *MCPS Financial Manual*, chapter 7, pp. 4-5).

Accounting for yearbook sales requires the sponsor to maintain a record of books ordered and received, all books sold at specific prices, including any online sales, a record of advertising revenue, and a detailed list of any yearbook giveaways, books returned to the vendor for credit, and the number of unsold books remaining. MCPS Form 281-25, *Yearbook Analysis*, must be prepared by the sponsor at the end of each fiscal year to reconcile revenue, expenditures, and remaining physical inventory to the accounting records. The school business administrator and principal must review this analysis for accuracy. Your financial management action plan stated that the yearbook sponsor would submit correct and complete final reports resulting in zero findings for yearbook. We found that the yearbook reconciliation on MCPS Form 281-25 had incorrect amounts recorded and did not match the sales reported in SFO. We also found a discrepancy of six books, with no explanation. We recommend additional support be given to the yearbook sponsor in order to properly account for the yearbook sales activity and that the MCPS Form 281-25 be reviewed for accuracy (refer to the *MCPS Financial Manual*, chapter 20, page 14).

Notice of Findings and Recommendations

- Monthly financial report review, including the bank statement reconciliations must be completed on a timely basis.
- Monthly bank statement review must include copies of all cleared checks.
- Purchase requests and disbursement of funds must be pre-approved by the principal **(repeat)**.
- Pre-approved budgets need to be monitored and revised before an expenditure is made that will exceed the original budgeted amount.
- IAFs cannot be used to recognize individual staff members.
- MCPS Form 280-49A must be prepared when hiring consultants/independent contractors **(repeat)**.
- Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
- Cash and checks collected by sponsors must be promptly remitted to the school financial specialist.

- MCPS Form 281-25, must be prepared by the sponsor to reconcile revenue, expenditures, and remaining physical inventory of yearbooks to the accounting records (**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. Donna R. Jones, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Jones 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 agents to support you with developing a well-defined plan to address the findings.

MJB:KMH:sh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Wilson

Dr. Zuckerman

Mrs. Ahn

Dr. Johnson

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Mr. Marella

Dr. Jones

Mr. Tallur

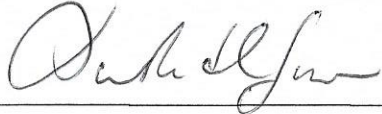
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 5/6/20 FY20	Fiscal Year: 5/6/20 FY20
School: Walt Whitman HS - 427	Principal: Dr. Robert W. Dodd, Principal
OSSI Associate Superintendent: Ms. Cheryl Dyson, Area Associate Superintendent	OSSI Director: Dr. Donna Redmond Jones, Director II
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>9/18/18 - 12/31/19</u>, strategic improvements are required in the following business processes :</p> <p>Financial reports and internal controls, disbursements, purchase cards and cash receipts</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Dr. Dodd, Ms. Hillard and Ms. Garnett will meet weekly to ensure all monthly reports are reviewed including the bank statement being received and signed by Dr. Dodd by the 15th and reconciled by the 20th of the month. The bank was contacted and has started providing copies of checks for monthly review.	Dodd/ Hillard	Bank statement and other financial reports.	-Calendar reminders on the following calenders - Dodd, Hillard, Garenett and Cook. -Weekly meeting	Dodd/Hillard will monitor during weekly meeting.	Sandy Spring bank now provides copies of checks. Bank reconciliation completed by the 20th
All disbursements, including purchase requests and I-receivable disbursements will be pre-approved and signed by the principal. Budgets will be continually monitored and updated as needed.	Dodd/Garnett/Hillard	Completed 280-54 or budgets for all non-credit card IAF purchases	280-54 or Budget must be completed and include a funding source, account balance, and be initialed by Ms. Hillard prior to principal signing.	280-54 & Budgets will be reviewed and changes will be signed off at weekly meetings.	All 280-54/Budgets will include the funding source, account balance,(s) SBA's initial prior to principal's signing. Budget changes documented and approved.
Expenses to recognize staff will be charged to the correct IAF account and be funded with funds collected from staff, SERT funds or staff vending funds.	Cook/Dodd/Garnett/Hillard	Properly prepared 280-54	Ms. Cook will refer to IAF account list when completing 280-54. Ms. Garnett will review. Ms. Hillard will initial prior to principal signing.	Dodd/Hillard will monitor IAF charges during weekly meetings.	All staff expenses will be charged to correct accounts.
Ms. Garnett and Ms. Hillard will meet with sponsors during pre-service week to help them determine what activities will require a 280-49a and provide them with the forms and guidance to ensure all approvals are completed prior to the activity. Ms. Garnett will be responsible for working with sponsors on this process. Dr. Dodd will review and sign.	Garnett/Hillard/Dodd	Staff training, business office follow-up and properly prepared 280-49a	280-49a will be reviewed at weekly meetings.	Ms. Garnett will manage the process. Ms. Hillard will monitor.	280-49a will be completed for all contractors.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Ms. Hillard will update Dr. Dodd at weekly meeting on the status of purchase cards reviews and compliance. Dr. Dodd will review and ensure compliance for Ms. Hillard's purchase cards.	Hillard/Dodd	P- card on-line platform, P-card receipts and reports	Monitor and complete on line reporting, monitor and sign paper reports in a timely manner	Hillard/Dodd	All P-card reports will be signed on-time and have receipts attached.
Ms. Hillard and Ms. Garnett will review in pre-service meeting for sponsors guidelines on making deposits daily. Email reminders will be sent throughout the year. If staff sponsors are not complying lack of compliance will be reviewed with the principal in weekly meetings.	Garnett/Hillard/Dodd	Garnett tells Hillard/Dodd if sponsor is not complying	Review sponsor compliance in week meeting.	Dodd/Hillard/Garnett	SFO reporting and 280-34 will show monies collected and deposited promptly.
Yearbook reporting form 281-25 will be completed so that revenue and expenditures are reconciled and match what was sold and what is remaining in inventory. Dr. Dodd will provide support for yearbook sponsor.	Dodd/Hillard	Meeting with yearbook sponsor montly	Reviewing yearbook reporting and deadline monthly.	Dodd/Hillard monthly meeting to ensure compliance.	Yearbook reporting will match deposits in SFO and actual inventory.

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments:	
Director: 	Date: <u>6/16/20</u>