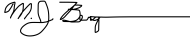


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 1, 2021

MEMORANDUM

To: Mrs. Jennifer A. Baker, Principal
Walter Johnson High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2019, through January 31, 2021

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 26, 2021, virtual meeting with you; Mrs. Kathleen M. Cosgrove, school business administrator; and Mrs. Virginia E. Howard, school financial specialist, we reviewed the prior audit report dated July 3, 2019, 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 the *MCPS Financial Manual*, chapter 20, page 4). The purpose of each disbursement must be fully explained on this form in order to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. Approval is required from the Office of Finance (OOF) for

purchases that exceed \$7,500. In our sample of disbursements, prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your school financial specialist and revised if necessary. OOF approval must be obtained for all purchases over \$7,500 unless the purchase meets one of the exceptions (refer to the *MCPS Financial Manual*, chapter 20, page 5). This applies to the cost of any single good or service, as well as the total cost of a similar good or service procured multiple times during the same fiscal year.

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 tenth of the following month, using the online reconciliation program. We found that some cardholders had not promptly reviewed their transactions in the online reconciliation program and not all transactions had been approved online. 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 by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the financial specialist on the day the funds are received. The funds must be verified in the presence of the remitter and a receipt needs to be issued promptly. 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 acknowledgment 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 thereafter (refer to the *MCPS Financial Manual*, chapter 7, page 4). We found these essential controls were not practiced, increasing the likelihood of disagreements between sponsors and the financial specialist. We noted several instances in which staff collecting funds were leaving the funds in the business office safe instead of remitting directly to the school financial specialist during office hours. The financial specialist in turn was counting the funds the next day, without another person present. We recommend that you ensure time is available, during business office hours, for sponsors to remit all funds directly to the financial specialist.

Notice of Findings and Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchases over \$7,500, with certain exceptions, must have OOF approval (**repeat**).
- Cash and checks (funds) remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the school financial specialist.

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 action plan, 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. Rotunda Floyd-Cooper, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools, for written approval of your plan. Based on the audit recommendations, Dr. Floyd-Cooper will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you, your school financial specialist, and your school business administrator to support you with developing a well-defined plan to address the findings.

MJB:RCM:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mrs. Williams

Mr. Koutsos

Mrs. Chen

Dr. Floyd Cooper

Mr. Klausling

Mr. Marella

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: April 1, 2021	Fiscal Year: FY20 & FY21
School: Walter Johnson High School	Principal: Jennifer Baker
OTLS Associate Superintendent:	OTLS Director: Dr. Floyd-Cooper

Strategic Improvement Focus:

As noted in the financial audit for the period May 1, 2019 – January 31, 2021, strategic improvements are required in the following business processes:

1. Purchase requests must be approved by the principal prior to procurement.
2. Purchases over \$7,500, with certain exceptions, must have OOF approval.
3. Cash and checks (funds) remitted by sponsors must be promptly verified, and receipted, prior to being deposited in the bank by the school financial specialist.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p>Purchase requests must be approved by the principal prior to purchase.</p> <p>The School Financial Specialist and School Business Administrator will continue to work with staff to ensure that the purchase request is submitted and approved by the principal before a purchase is made.</p>	Principal School Business Administrator School Financial Specialist	MCPS Form 280-54 and instructions on the purchasing process	Signed Purchase Requests	Weekly: Jennifer Baker, Principal Kathy Cosgrove, School Business Administrator Virginia Howard, School Financial Specialist	Google Sheet to Collect: <ul style="list-style-type: none"> • Record of staff training and staff reminders <p>All purchase requests will be pre-approved by the principal using form 280-54.</p>
We will not make any purchases that exceed \$7,500 without OOF approval.	Principal School Business Administrator School Financial Specialist	MCPS Form 281-55	MCPS Form 281-55 and receiving approval from OOF.	Jennifer Baker, Principal, SFS Kathy Cosgrove, SBA	Form 281-55 with principal's signature.

<p>Funds will be remitted and promptly verified by the School Financial Specialist and staff member prior to being deposited in the bank by the school financial specialist.</p> <p>Funds collected after the SFS scheduled work day, will be deposited in the school safe, and the same process will take place on the next business day.</p>	<p>School Business Administrator</p> <p>School Financial Specialist</p>	<p>MCPS form 280-34</p>	<p>Deposits will include MCPS form 280-34 and will be counted by the SFS in the presence of another staff member.</p>	<p>Kathy Cosgrove, SBM</p> <p>Virginia Howard, SFS</p>	<p>Receipts for deposits.</p> <p>Signature of staff members who have counted the deposits.</p>
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OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: <u>Rotunda Floyd-Cooper</u>	Date: <u>5/12/21</u>