


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 23, 2022

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
February 1, 2021, through March 31, 2022

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 fund-raisers. 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, 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 June 14, 2022, 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 April 1, 2021, 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

The employee performing the independent bank reconciliation cannot be a check signer (refer to the *MCPS Financial Manual*, chapter 20, page 6). A review of monthly bank reconciliations disclosed that your school business administrator was a check signer, and also performed the bank reconciliations. We recommend you assign another staff member, who is independent of financial transactions, to perform the monthly bank reconciliations.

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. In your audit action plan, you indicated the financial agents will review all copies of MCPS Form 280-54 to ensure procedures are being followed. In our sample of disbursements, we found instances in which purchases were not pre-approved and budgets were not approved prior to purchases being made. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditures 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 principal approval at the beginning of the school year. These budgets must be monitored by your school financial specialist and revised if necessary.

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. We found that this form had not been completed for all payments to independent contractors during our audit period. We recommend that the financial agent or project manager initiate MCPS Form 280-49A to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to the *MCPS Financial Manual*, chapter 15, page 2).

Aggregate school expenditures of IAF activities 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 from the Office of Finance (OOF) (refer to the *MCPS Financial Manual*, chapter 20, page 5). We found that you exceeded the total amount allowed in Fiscal Year 2022, without prior approval from the OOF. We recommend that you adhere to the MCPS requirements, and if justified, request approval to overspend your allocation in advance.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the school financial specialist. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to the *MCPS Financial Manual*, chapter 7, pages 4-5). 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 must be conducted in the presence of the remitter, or another individual, by the next business day (refer to the *MCPS Financial Manual*, chapter 7, page 4). In your action plan, you indicated that sponsors would remit funds collected promptly, and that they would be counted in the presence of the financial specialist. We found that at times, staff were holding funds and not remitting them to the financial specialist when received. In addition, we noted several instances in which staff collecting funds were leaving the funds in the business office safe instead of remitting them

directly to the school financial specialist during office hours. The financial specialist in turn was counting the funds, without another staff member 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

- Bank reconciler cannot be a check signer.
- Purchase requests must be preapproved by the principal prior to procurement (**repeat**).
- Independent contractor payments must comply with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*.
- 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 OOF.
- Funds collected by sponsors must be promptly remitted to the school financial specialist using MCPS Form 280-34 and verified together (**repeat**).

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, 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 and your financial agents to support you with developing a well-defined plan to address the findings.

MJB:BK:lsH

Attachment

Copy to:

- | | |
|-----------------------------------|------------------|
| Members of the Board of Education | Mrs. Chen |
| Dr. McKnight | Mrs. Eader |
| Mr. D’Andrea | Dr. Floyd-Cooper |
| Dr. Dawson | Mr. Klausning |
| Ms. Reuben | Mrs. Ripoli |
| Mrs. Williams | Ms. Webb |
| Mr. Koutsos | |
| Mr. Reilly | |

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: July 26, 2022	Fiscal Year: FY22
School: Walter Johnson High School	Principal: Jennifer Baker
OTLS Associate Superintendent: Dr. Rotunda Floyd-Cooper	OTLS Director: Mr. David Adams

Strategic Improvement Focus:
 As noted in the financial audit for the period Feb 1, 2021 – March 31, 2022, strategic improvements are required in the following business processes:

1. Bank reconciler cannot be a check signer
2. Purchase requests must be preapproved by the principal prior to procurement (repeat)
3. Independent contractor payments must comply with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*
4. 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 OOF.
5. Funds collected by sponsors must be promptly remitted to the school financial specialist using MCPS Form 280-34 and verified together (repeat)

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Bank reconciler cannot be a check signer. The School Business Administrator will continue to be a check signer. The Administrative Assistant to the principal will now be the reconciler beginning with the June 2022 bank reconciliation.	Principal School Business Administrator School Financial Specialist Administrative Assistant	Administrative Assistant now has access to School Funds Online (SFO)	Monthly Bank Statement SFO Bank Reconciliation	Monthly: Principal School Business Manager School Financial Specialist	Employee performing monthly bank reconciliation will not be a check signer.
Purchase requests must be approved by the principal prior to purchase. The School Financial Specialist and School Business Administrator will continue to work with staff to ensure that the purchase request is submitted to and approved by	Principal School Business Administrator School Financial Specialist	MCPS Form 280-54 instructions and reminders	Signed Request to Purchase forms	Weekly: Principal School Business Administrator School Financial Specialist	Record of staff training and staff reminders All purchase requests will be approved by the principal before a purchase is made.

<p>the principal before a purchase is made.</p> <p>We will continue to review with returning staff, and meet with new to WJHS staff, during our pre service week to present the process for IAF Request for Purchase.</p> <p>We will continue to send reminders during the school year.</p> <p>If necessary, we may have to deny payment/reimbursement if purchase is made prior to principal approval.</p>					
<p>MCPS form #280-49a must be submitted for all independent contractors/consultants.</p> <p>The SBA and SFS will work together to initiate MCPS form 280-49a for approval to pay a consultant/independent contractor with IAF.</p>	<p>Principal</p> <p>School Business Administrator</p> <p>School Financial Specialist</p>	<p>Form 280-49a contractor invoice</p>	<p>SBA/SFS will initiate MCPS form 280-49a when sponsors submit quotes for IAF payments to consultants/independent contractors</p>	<p>Initiate when IAF payment requests are received</p> <p>Principal</p> <p>School Business Administrator</p> <p>School Financial Specialist</p>	<p>All consultants/independent contractors being paid with IAF will have form 280-49a submitted for authorization</p>

<p>Expenditures for staff refreshments and appreciation should not exceed \$60 per staff member without prior written authorization from the Office of Finance (OOF).</p> <p>The approval request was submitted for FY22; however, not in advance of the spending.</p>	<p>Principal School Business Administrator School Financial Specialist</p>	<p>MCPS form 281-55</p>	<p>Use monthly SFO accounts to monitor staff refreshment and appreciation spending</p>	<p>Using SFO monthly accounts, we will know if we are close to overspending.</p> <p>At that time form 281-55 will be submitted for approval.</p> <p>Principal School Business Administrator School Financial Specialist</p>	<p>Total combined expenditures for staff refreshment and appreciation will not exceed \$60 per staff member without prior approval.</p>
<p>Funds collected by sponsors will be promptly remitted to the school financial specialist using MCPS form 280-34 and verified together. If placed in night drop/safe after school hours, this process will take place the next business day.</p>	<p>School Business Administrator School Financial Specialist</p>	<p>form 280-34</p>	<p>form 280-34 If funds are deposited after hours, they will be counted in the presence of the SBA the next business day.</p>	<p>School Business Administrator School Financial Specialist</p>	<p>Funds will be remitted promptly and verified with sponsor or SBA present.</p> <p>This process will improve with the new SchoolCash online in place for FY23.</p>

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>7/28/22</u>

