


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

July 22, 2024

MEMORANDUM

To: Mrs. Nicole J. Morgan, 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, 2023, through April 30, 2024

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 July 8, 2024, meeting with you; Mrs. Deborah L. Teicher, school business administrator; and Mrs. Ajeenah D. Chavez, school financial specialist, we reviewed the prior audit report dated August 10, 2023, and the status of the 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. It should be noted that your appointment as principal was effective March 20, 2024. In addition, your school business administrator and school financial specialist's assignments were effective July 1, 2024.

**Findings and Recommendations**

The General Ledger report should be prepared and given to the principal no later than the 20<sup>th</sup> day following the close of each month. The review of this report is critical to the management of the IAF so that sound business decisions can be made when requests for purchases are submitted. If

there are large negative balances on the report that continue to the end of the school year, it should prompt an inquiry, so that timely corrective action can be taken to correct the large negative balances (refer to the *MCPS Financial Manual*, chapter 20, page 12). We found that the school had several accounts that had negative balances at the end of the fiscal year, one of which carried over from a prior fiscal year and there was no distinct plans to clear these negative balances. We also noted that journal entries for Automatic Clearing House (ACH) transactions were not always processed timely by the prior financial specialist. We recommend that all ACH transactions are posted timely so reports accurately present the IAF financial position. We further recommend that you meet regularly with your financial agents to review the financial reports and develop a plan for reducing any negatives balances.

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, pages 4-5). 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. Additionally, all disbursements must have adequate documented support, such as a vendor itemized invoice or original receipt. In our sample of disbursements, we found prior approval was not consistently obtained, some sponsors used personal credit cards for large expenditures, gift cards were purchased out of staff appreciation, and not all disbursements had adequate supporting documentation, such as an invoice or original itemized receipt attached. We also noted that staff members made school related purchases and that these items were sometimes shipped to purchaser's home address. By requiring prior approval, the principal retains control over the expenditure of IAF funds. Also obtaining a vendor invoice or original receipt will provide documentation of what is being purchased, when the item was purchased, and if the purchase was appropriate for the funding source. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought and that any item purchased for the school must be shipped to the school. We also recommend that MCPS Form 280-54 be prepared by staff detailing items being purchased, and that staff submit adequate documentation for the purchase when presented to the financial specialist for payment. The financial specialist must then review the documentation to ensure it is adequate to support the disbursement.

MCPS Form 280-49A, *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)*, specifies that this form is required (in lieu of MCPS Form 280-54) to document authorization/approval for all consultant/independent contractor services paid with the IAF, regardless of the amount due for services. If payment due for the vendor's services is \$1,500 or more, a purchase order is required, EXCEPT when contracting with Montgomery County Police Officers for high school event security (refer to the *MCPS Financial Manual*, chapter 15, page 2). We found that disbursements to contractors for services did not always have MCPS Form 280-49A completed, submitted and approved for disbursement, and when required, a purchase order being created. We recommend that the school complete and submit MCPS Form 280-49A for all contractor/vendor services and for the school to create a purchase order when the service will exceed \$1,500 within the fiscal year. We also recommend that the approved MCPS Form 280-49A is kept on file to document the authorization and approval

to pay a consultant/independent contractor with IAF (refer to the *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 Users 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 approver must review each cardholder's transactions and approve them by the 10th of the following month, using the online reconciliation program. We found that the delegated approver wasn't approving transactions timely, cardholders were not always providing description of items purchased, indicating IAF account number when required and were not always submitting a statement of landscape report each month. We recommend that cardholders review *MCPS Purchasing Card Users Guide* to ensure purchasing card guidelines conform with MCPS requirements. We recommend that the designated approver review and approve all transactions by the 10<sup>th</sup> of the following month.

Cash and checks collected by sponsors and others for IAF activities must be remitted promptly to the financial specialist, along with a completed MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Form*. An important internal control is for the sponsor to complete the MCPS Form 280-34 in its entirety and submit it to the financial specialist. The MCPS Form 280-34 and funds are to be reviewed and verified by the financial specialist in the presence of the remitter or another staff member. 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. Each receipt must indicate the source of funds when entered in SFO. Additionally, the receiptee should be the remitter or the entity providing the funds (refer to the *MCPS Financial Manual*, chapter 7, pages 4-5). During our review of cash receipts, we noted that sponsors are not always completing the remittance slip in its entirety, or sponsors are remitting funds without MCPS Form 280-34 attached. We found that the majority of staff would put collected funds in the finance office drop safe. We noted that the prior financial specialist is completing missing fields or completing the form in its entirety for the sponsor(s). We also found that at times, staff were holding funds and not remitting them to the school financial specialist when received, and that funds had been held over the allowable *Cash Holding Authority (CHA)* by sponsors and the prior financial specialist. Additionally, we noted that the funds remitted are not being verified under dual control due to the fact that sponsors use the financial office drop safe on a routine basis. We recommend that all sponsors are reminded that they must remit funds on the day they are collected and that the school financial specialist deposit funds to the bank promptly to minimize the risk of loss. In addition, we recommend staff be required to prepare and submit MCPS Form 280-34 in its entirety to the school financial specialist daily. In turn, the school financial specialist must verify in the presence of the sponsor that MCPS Form 280-34 is completed properly, and any discrepancies must be corrected and initialed by both parties at that time. Additionally, the sponsors and financial specialist must prioritize time to ensure funds are counted under dual control at the time of receipt.

The MCPS Financial Manual, Chapter 20, Appendix A, provides guidance on IAF account structure and utilization. The IAF chart of accounts is standardized for consistency in reporting.

We found instances of nonconformity, and noted that sometimes transactions were not classified properly in appropriate accounts for MCPS reimbursements. We found that the prior financial specialist was also not submitting MCPS reimbursements timely to the controller's office and that the MCPS reimbursement account was not being consistently monitored to ensure the school received their reimbursement timely from MCPS. We recommend that the school financial specialist records MCPS reimbursable items in the districtwide MCPS reimbursement account 0060.0000, that reimbursable expenses are submitted to the controller's office by the first week of the subsequent month of the disbursement, and that the financial specialist review and reconcile the MCPS reimbursement account regularly.

Fund-raising at the school must conform to the Guidelines for Sponsoring an Independent Activity Fund-Raiser. Each fund-raiser must be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity must be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (refer to the *MCPS Financial Manual*, chapter 20, page 13). We found that some of the athletic fund-raisers did not have a fund-raiser request form approved prior to the start of the activities and contracts for these fund-raisers were not signed by the principal. We also noted that the sponsor, prior financial specialist, and the principal were not reviewing or signing a completion report when the fund-raiser was finalized. Furthermore, our review showed that a sponsor conducted an online crowd-funding fund-raiser and did not follow the procedures outlined in the September 14, 2017, memorandum from the deputy superintendent of school support and improvement, *Guidelines for Crowd-funding and Other Online Fund-raising*. We recommend following these internal control procedures to provide for accountability of funds raised, as well as the opportunity to evaluate the results after the event.

### **Notice of Findings and Recommendations**

- ACH transactions must be recorded timely and negative account balances monitored monthly (**repeat**).
- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchase documentation must be adequate to support disbursements (**repeat**).
- All purchases made for the school must be shipped to the school, staff should not use personal funds for high dollar expenditures, and gift cards are prohibited unless from staff generated funds.
- Payments to independent contractors/consultants require approval using MCPS Form 280-49A and any services over \$1,500 must be entered in the HUB (**repeat**).
- Purchase cardholders must review transactions timely and purchase card transactions must be approved by the 10<sup>th</sup> of the following month (**repeat**).
- Purchase cardholders must include an IAF account number when applicable and purchase description for all transactions (**repeat**).
- Cash and check (funds) collected by sponsors must be promptly remitted with a completed MCPS Form 280-34 to the school financial specialist, counted under dual control, and promptly receipted and deposited in the bank in accordance with Chapter 7 of the *MCPS Financial Manual* (**repeat**).

- MCPS reimbursable expenses must be recorded in the designated districtwide account, submitted to the controller timely and monitored on a regular basis (**repeat**).
- Crowdfunding fundraisers need to abide by MCPS policies and procedures.
- Contracts for fundraisers must be signed by the principal and all fundraisers must have a request form approved by the principal prior to start of the activity.

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 Mr. David W. Adams, director of school support and improvement, Office of School Support and Improvement, for written approval of your plan. Based on the audit recommendations, Mr. Adams 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 financial team to support you with developing a well-defined plan to address the findings.

MJB:ABB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Taylor

Ms. Alfonso Windsor

Ms. Dempsey

Dr. Johnson

Dr. Moran

Mrs. Williams

Dr. Campbell

Mr. Reilly

Mrs. Chen

Mr. Adams

Mr. Klausling

Mrs. Ripoli

Ms. Webb



**FINANCIAL MANAGEMENT ACTION PLAN**

<b>Report Date: July 22, 2024</b>	<b>Fiscal Year: 2024</b>
<b>School or Office Name: Walter Johnson HS</b>	<b>Principal: Nicole Morgan</b>
<b>OSSWB Tamitha Campbell Associate Superintendent:</b>	<b>OSSWB David Adams Director:</b>
<b>Strategic Improvement Focus:</b> As noted in the financial audit for the period <u>5/2/23-4/30/24</u> , strategic improvements are required in the following business processes :	

<b>Action Steps</b>	<b>Person(s) Responsible</b>	<b>Resources Needed</b>	<b>Monitoring Tools / Data Points</b>	<b>Monitoring: Who &amp; When</b>	<b>Results/Evidence</b>
ACH transactions must be recorded timely and negative account balances monitored monthly.	Debbie Teicher (SBA), Ajeenah Chavez (SFS), Nicole Morgan (principal)	General Ledger, Trail Balance, 280-48, 280-54, Ipayment Invoices and Receipts	WJ IAF account will be monitored daily for ACH deposits. Manual checks will be entered on the day paid so account balances are timely and accurate.	SFS will log onto bank account daily and enter credits the moment they appear. SFS will also enter manual checks as they are paid making sure that payments are debited to the correct IAF account.	By following these procedures all stakeholders will be aware of any negative balances prior to money being spent or will include a plan in place for covering expenses. This will be monitored in bi-weekly finance meetings with the principal.
Purchase requests must be approved by the principal prior to procurement.	Sponsor/staff member, SFS, SBA, principal	Training in pre-service, staff link to 280-54	280-54 forms will be submitted prior to any purchase using the version that populates twice.	SFS will be looking that requesters are including an appropriate estimate or quote prior to spending. SFS will confirm that money is to be spent from the appropriate account and include the account balance for principal review. Staff members will receive back a copy of the signed 280-54 as permission to spend funds.	No disbursement will be made on a purchase that did not obtain permission prior to spending. This permission will be obtained either from a pre-approved 280-54 or signed budget.

Purchase documentation must be adequate to support disbursements.	Sponsor/staff member, SFS, SBA, principal	Training in pre-service, staff link to 280-54	All receipts will be reviewed and compared to the 280-54.	SFS will monitor when requests for reimbursement are submitted. All original receipts should be signed by requester indicating that items were received. SBA will review all checks prior to going to principal for signature. Principal will not sign a check that has not been reviewed.	All checks will have appropriate documentation attached to them at the time of signing. This will include 280-54, original receipts, and or invoice.
All purchases made for the school must be shipped to the school, staff should not use personal funds for high dollar expenditures, and gift cards are prohibited unless from staff generated funds.	Sponsor/staff member, SFS, SBA, principal	Training in pre-service, staff link to 280-54	Staff will be trained that all items that are ordered and paid for by school's IAF must be shipped to school.	SFS will monitor and review 280-54 as they are submitted. Before receiving signed form shipping instructions will be reviewed. Large requests will be reviewed by SBA and redirected to the HUB.	Goods paid for by WJ IAF account will only be shipped to the school. Large reimbursement requests will be eliminated unless extraordinary circumstances occur and those will be documented and attached to the 280-54.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Payments to independent contractors/consultants require approval using MCPS Form 280-49A and any services over \$1500 must be entered into the HUB.	SBA, SFS, Sponsor, Principal	280-49A, Staff Training	Staff will be trained on MCPS policy around goods and services and will use the 280-49A form.	Minimum of two weeks prior to services being needed, staff sponsor and SFS will complete documentation necessary including a quote for services. Principal will sign and SFS will submit to procurement.	No school check will be processed for over \$1500 for services. The completed 280-49A, once processed, will allow for appropriate expenditures.
Purchase cardholders must review transactions timely and purchase card transactions must be approved by the 10th of the following month.	Cardholders, SBA, principal	JP Morgan Payment Net	Staff with Purchasing Cards will review all guidelines prior to start of school year and the Payment Net system will be monitored weekly for purchase reviews. Landscape Reports will be tracked.	SBA will monitor all WJ account holders bi-weekly on PaymentNet to determine that review are taking place. Reminders will be sent by SBA. Principal will create a monthly reminder to go into	All items purchased using the JP Morgan card will be reviewed during the appropriate window.

<p>Purchase cardholders must include an IAF account number when applicable and purchase descriptions for all transactions.</p>	<p>Cardholders, SBA, principal</p>	<p>JP Morgan Payment Net</p>	<p>Staff with Purchasing Cards will review all guidelines and the Payment Net system will be monitored weekly for purchase reviews. Items that are reviewed without the IAF account number and/or description will be rejected by the approver.</p>	<p>SBA will monitor all WJ account holders bi-weekly to determine that account numbers and brief descriptions are being entered. Repeat neglect of this task may require suspension of card holder privileges.</p>	<p>All purchases made with a JPMorgan card will follow MCPS guidelines. Items will be sent back for revision by approver if account number and/or description are not entered.</p>
<p>Cash and check (funds) collected by sponsors must be promptly remitted with a completed MCPS 280-34 to the school financial specialist, counted under dual control, and promptly receipted and deposited in the bank in accordance with Chapter 7 of the MCPS Financial Manual.</p>	<p>Sponsors, SFS, SBA</p>	<p>280-34, cashbox, envelopes, Activity Request Form, Staff Training</p>	<p>Activity Request Form must be completed by any staff holding an event at school. Form includes information about money collection. Staff will be required to collect a cashbox which includes instructions for 280-34 and drop box information. Staff collecting payment for field trips will be required to report to School Finance Office daily.</p>	<p>SBA will share with SFS any activity that requires money collection. SFS will schedule an appointment with sponsor to review process and checkout a cash box. Staff who are collecting money for a field trip will be monitored daily by SBA. All sponsors will be encouraged to collect funds using SCO whenever possible. SFS/SBA will require staff to come to office to count money under dual control. In the event the sponsor is out the of the buidling the SFS will count funds with supervising Assistant Principal. SFS work schedule will include time for a daily bank visit when there are funds for deposit.</p>	<p>All money will be deposited daily and counted under dual control. Money collected in the evenig will be counted the next day, SFS will go to the bank daily to make deposits.</p>



MCPS reimbursable expenses must be recorded in the designated districtwide account, submitted to the controller timely and monitored on a regular basis.	SBA, SFS, principal	Chart of Accounts, 280-48 form	Expenses that are to be reimbursed by MCPS will be charged to the MCPS reimbursement account when paid.	After expenses are charged to the 0060.0000 account the SBA will prepare the 280-48 forms along with all necessary documentation to submit to the controller or other appropriate MCPS office. These forms will be submitted immediately after payment is made.	This account will be reviewed as part of the bi-weekly meeting with the principal and activity will be tracked and monitored.
Crowdfundering fundraisers need to abide by MCPS policies and procedures	Sponsors, SBA, principal	9/14/17 Memorandum on Crowd-Funding and Other Fundraising, MCPS Fundraiser Request Form, MCPS Fundraiser Completion Form	All sponsors will be trained on following MCPS guidelines around fundraising. Crowd sourcing will be discouraged and if being used it must follow the 9/14/17 Memorandum.	SBA will review all fundraiser requests to determine funding sources. If crowd sourcing is requested SBA will review any contract or agreement to ensure it meets MCPS guidelines. If it does, it will go to the principal for final approval. Only the principal can sign a contract or agreement with any crowd sourcing vendor.	All fundraisers will meet MCPS guidelines. Sponsors will complete all paperwork. No advertising of any fundraiser can take place prior to principal's approval.


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
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<p>Fundraisers must have a request form approved by the principal prior to the start of an activity,</p>	<p>Sponsor, SBA</p>	<p>Fundraiser Request Form, Fundraiser Completion Form</p>	<p>Fundraiser Request forms must be completed by the sponsor. Completion forms must be completed. An appropriate account in the 7000.0000 series will be created.</p>	<p>All fundraisers requests must be submitted to the SBA for review prior to any advertisement of fundraiser. Once completed it will be submitted to principal for final approval. The SFS and sponsor will be notified once approved and an account will be created at that time. The SBA will keep a record of all fundraiser request forms. At the conclusion of the fundraiser the sponsor and SFS will work to reconcile the fundraiser and submit a Fundraiser Completion Form. The principal will sign the completion report and only at that time will funds be released. The completion report will be filed with the request form.</p>	<p>All fundraisers will meet MCPS guidelines. Sponsors will complete all paperwork. No advertising of any fundraiser can take place prior to principal's approval.</p>

**OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)**

**Approved**       **Please revise and resubmit plan by** \_\_\_\_\_

Comments:

Director:       Date: 08/27/2024