


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

July 9, 2018

MEMORANDUM

To: Ms. Kimberly M. Boldon, Principal  
Thomas S. Wootton High School

From: Roger W. Pisha, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2017, through May 31, 2018

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 and are 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 MCPS policies, regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with MCPS 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 there is compliance with MCPS policies, regulations, and procedures and that any significant errors or omissions in the financial records are detected.

At our June 28, 2018 meeting with you, Mr. Philip B. Hill, school business administrator; and Ms. Julia G. Walsh, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated May 17, 2017, 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 receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report and ledger reports in a timely manner. Review of these important reports must be evidenced by the principal's signature and date (refer to *MCPS Financial Manual*, chapter 20, page 9). We could find no indication that these important reviews

were completed consistently during our audit period. We recommend that you initiate a process that insures this important internal control process occurs monthly.

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 project manager initiate MCPS Form 280-49a to document the authorization and approval to pay a consultant/independent contractor with IAF (refer to *MCPS Financial Manual*, chapter 15, page 2).

Controls over cash receipts need improvement. Staff collecting funds for field trips, fundraisers, admissions and other activities were holding funds rather than remitting them timely to the school financial specialist. Infrequent deposits increase the possibility of a loss of funds, and diminish the schools ability to fund activities (refer to *MCPS Financial Manual*, chapter 7, page 4). To minimize the risk of loss and provide assurance that funds will be available to meet school needs, we recommend that all funds collected be remitted to the school financial specialist daily.

Each year the chief financial officer (CFO) issues a memorandum providing information related to the process for planning and approval of academic local revenue-based summer school programs (LSPs). (See attachment). Your school has been carrying a large balance in your non-credit LSP IAF account since December 2012. All funds collected from students for LSPs must be remitted to MCPS and all expenses paid through MCPS. LSPs are designed to be self-supporting with student registration fees sufficient to cover all operational and administrative expenses. We recommend that all fees that have been collected be remitted to MCPS, and that you record the balance carried forward from December 2012 on your Fiscal Year 2020 LSP plan under other source of revenue in order to reduce the fees charged to students for non-credit courses. We also noted that you operated two camps during the summer and neither one of them submitted an LSP plan for approval. We recommend that you follow all the guidelines for summer camps/programs as outlined in the CFO memo.

Since cash is a liquid asset, internal controls are very important. The potential for inappropriate activities and fraud make the cash area a critical part of any audit. The most important internal control over the handling of funds is the separation of duties so that no one person controls all aspects of a process from start to finish. The involvement of two or more persons in each process enhances integrity and accuracy because each person acts as a check on the work of the other (refer to *MCPS Financial Manual*, chapter 7, page 3). We found that the school financial specialist was both the account sponsor and the person collecting funds for agenda books. We recommend separation of duties for better internal controls.



Summary of Recommendations

- Monthly financial reports must be signed and dated timely by the principal to indicate review.
- MCPS Form 280-49a must be processed prior to conducting business with consultants or independent contractors.
- Cash and checks collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school financial specialist (**repeat**).
- Summer camps/programs must have an approved LSP plan.
- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.

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 Mrs. Jennifer L. Webster, director of school support and improvement. Based on the audit recommendations, Mrs. Webster 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 agent to support you with developing a well-defined plan to address the findings.

RWP:MJB:lsb

AttachmentsCopy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Dr. Williams

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Tallur

Mrs. Webster

Mr. Ikheloa

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> 7-24-18	<b>Fiscal Year:</b> 2018
<b>School:</b> Thomas S. Wootton High School	<b>Principal:</b> Kimberly Boldon
<b>OSSI Associate Superintendent:</b> Diane Morris	<b>OSSI Director:</b> Jennifer Webster

### **Strategic Improvement Focus:**

As noted in the financial audit for the period **04/01/17 through 05/31/18**, strategic improvements are required in the following business processes :

- Monthly financial reports must be signed and dated timely by the principal to indicate review.
- MCPS form 280-49a must be processed prior to conducting business with consultants or independent contractors.
- Cash and checks collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school financial specialist.
- Summer camps/programs must have an approved LSP plan.
- IAF must be managed in accordance with sound accounting practices and effective internal control procedures.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
SFS will prepare and present all monthly reports to the Principal for signature.	SFS supported by SBA	Access to all Financial systems	Will be done on a monthly basis prior to the 20 <sup>th</sup> deadline.	SFS and SBA on a monthly basis and no later than 15 <sup>th</sup> of each month.	Improved adherence to the policies associated with monthly financial reporting.
SBA and sponsors will make sure that documents required to support form 280-49a, including invoice and contract, are properly submitted. SFS will verify document and type up form 280-49a.	SBA and sponsors supported by SFS	Vendor/contractor invoices and contracts	Monitor in FMS, SBA will verify any irregularities with SFS prior to work start date.	SBA and SFS will work with IAF sponsors with requesting sponsors at the time of requests.	Improved adherence to the policies associated with payment to vendors and independent contractors.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Mandatory training sessions will be required at the beginning of the school year for all IAF account sponsors prior to the approval of any activities involving money.	SFS supported by SBA	Dedicated time for training during staff preservice.	Database to be created to record those who have and have not been trained by the end of preservice week. SFS and SBA will coordinate with resource teachers if necessary to ensure that all staff complete training by the end of September at the latest.	SBA/SFS: SBA when approving fundraisers, SFS before financial transactions take place.	Improved adherence to the policies associated with the timely remittance of funds collected by sponsors.
Summer camps/programs with funds running through IAF must have an approved LSP plan. Other programs must be separate from MCPS and must conduct scheduling with ICB and will not be permitted to run funds through IAF accounts.	SBA and camp sponsor supported by SFS	Budget and LSP plan	Budget will be reviewed by both SBA and SFS with monitoring by SFS.	SFS will monitor budget activity on a monthly basis.	Improved adherence to the process for planning and approving academic LSPs
Agenda book sales – will be conducted online and distributed through the financial office with assistance from attendance office and any other staff available  Event tickets sales – students purchasing event tickets at the school will receive their tickets at the time of the sale	SFS supported by SBA  IAF sponsor supported by SFS/SBA	OSP receipting and additional staffing	Deposits to the assigned IAF accounts will be done by sponsors; not SFS. OR by SFS directly into the OSP OTR system.	SBA on a weekly basis	Improved adherence to the policies associated with sound accounting practices and effective internal control procedures.



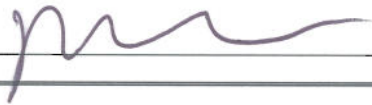
OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

☒ Approved

☐ Please revise and resubmit plan by \_\_\_\_\_

Comments: \_\_\_\_\_

Director: \_\_\_\_\_



Date: \_\_\_\_\_

7/25/18