


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 23, 2023

MEMORANDUM

To: Mr. Douglas E. Nelson, Principal
Thomas S. Wootton High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2022, through April 30, 2023

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 June 12, 2023, meeting with you; Mrs. Arlin A. De La Rosa, school business administrator; and Mrs. Julia G. Walsh, school financial specialist, we reviewed the prior audit report dated June 29, 2022, and the status of the present conditions. It should be noted that your appointment as principal was effective July 18, 2022. This audit report presents the findings and recommendations resulting from our examination of the IAF records and financial accounts for the 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. 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt (refer to the *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we found prior approval was not

consistently obtained. By requiring prior approval, the principal retains control over the expenditure of IAFs. 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 may benefit from having 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 the school's financial agent and revised if necessary.

The IAF procurement of goods and services must be approved in writing by the principal prior to staff proceeding with any intended purchase. This prior approval may be granted by the principal's signature on MCPS Form 280-54 or a budget prepared by the sponsor of a school activity and approved by the principal. The sponsor cannot exceed the projected expenditures in the approved budget without receiving prior written approval of the principal. The financial agent is responsible for monitoring budgets to ensure expenditures conform to what the principal has approved. We found that some line items on the athletic budget had been overspent. We recommend that your approved athletic budget be monitored by a financial agent and revised, if necessary for the principal to approve, or utilize MCPS Form 280-54 to support prior approval of expenditures exceeding the original budget. Field maintenance services that exceed \$1,500 per year are required to be secured through an MCPS purchase order. The data is entered into the MCPS Hub as a non-catalog request using the NCR Category code of 918.00 (refer to *MCPS Financial Manual*, chapter 15, page 2).

Use of MCPS Form 280-46, *Independent Activity Funds Request for Payment to MCPS Employees for Services (Work) Performed*, to compensate employees with IAF, must be in accordance with MCPS pay rate guidelines and payroll processes (refer to the *MCPS Regulation DIA-RB, Payments for Services and Reimbursements for Expenses from School Independent Activity Funds*). We found that MCPS employees were paid for services using MCPS Form 280-46 instead of being paid as an Extracurricular Activity (ECA) Class I activity. According to the ECA program handbook, Class I stipends are to be paid at the rate of \$15.65 an hour for no more than 100 hours per activity. We found that you paid the employees completing the services at a higher pay rate than what is allowed in the ECA handbook. We recommend that you follow the guidelines outline in the ECA program handbook and include the stipend positions in your Class I ECA plan for Fiscal Year 2024.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities must be remitted promptly to the financial specialist. Cash must be counted in the presence of the remitter, and a receipt that is supported by the remittance slip must be issued promptly. We found instances in which funds were held by sponsors rather than remitted to the financial agent on the day received. We also found that the financial agent collected fees/payments directly from students instead of the sponsor collecting the fees. We recommend that no one person control all aspects of the cash receipt process from start to finish. To improve controls, we recommend adoption of the procedures outlined in the *MCPS Financial Manual*, chapter 7, page 4.

Schools may utilize IAF funds retained from College Board rebates and administrative fees to compensate individuals for work done outside of the duty day to plan/coordinate the AP testing program. These hours must be documented in writing. Payments to staff for work related to the AP testing program must be made

according to MCPS pay rate guidelines and payroll processes. Clerical support work is compensated on the Grade 11 scale of the Service Employees International Union (SEIU) Salary Schedule. Supporting services staff should not be employed to do work in a similar capacity beyond 8 hours a day or 40 hours a week per the *Fair Labor Standards Act*. We found that the school paid two SEIU employees the clerical support hours and that they worked beyond their normal 8 hours a day or 40 hours a week and also paid an SEIU employee the coordinator hours. We recommend that the school follow the guidelines outlined in the annual *Exam Fee Subsidies for Students with Financial Need* memo.

Schools may hire substitutes to serve as proctors (if eligible), or to release classroom teachers to proctor AP exams during the duty day. Employees who proctor during the duty day may not receive additional compensation for this work. We found during Fiscal Year 2022 staff members were receiving class coverage payments for AP testing. Many of these teachers did not put in a request in the substitute system to request a substitute. We recommend that proctors only be compensated for proctoring when hours worked are outside of the employee's duty day and that class coverage should only be used to pay for teachers who use their own planning period to cover another teacher's class. Compensation for the teacher may not be more than one class period in a day, exceptions may occur for some secondary schools using block scheduling.

Notice of Findings and Recommendations

- All disbursements must be pre-approved by the principal and services over \$1,500 should be paid through an MCPS Purchase Order.
- Budgets must be monitored to compare income and expense projections to actual results.
- Payments to MCPS employees must adhere to the ECA guidelines.
- Cash and checks (funds) must be collected by sponsors and promptly remitted to the school financial specialist.
- There must be dual control in the cash receipts process and the financial specialist can only collect obligations from students.
- SEIU employees may not be employed to work beyond 8 hours a day or 40 hours a week.
- Class coverage for AP Testing should not exceed the teachers planning period.

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of the 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 the 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. Michelle E. Schultze, director of school support and well-being, Office of Student Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Mrs. Schultze 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 business administrator and your school financial specialist to support you with developing a well-defined plan to address the findings.

Attachment

Copy to:

Members of the Board of Education

Dr. McKnight

Mr. Hull

Dr. Murphy

Ms. Morris

Mr. Stockton

Mrs. Williams

Dr. Moran

Mr. Reilly

Mrs. Schultze

Mrs. Chen

Ms. Eader

Mr. Klausing

Mrs. Ripoli

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 6/29/2023

Fiscal Year: 2023

School: Thomas S. Wootton High School

Principal: Douglas Nelson

OSSWB Associate Superintendent: Dr. Peter Moran

OSSWB Director: Mr. Christophe Turk

Strategic Improvement Focus:

As noted in the financial audit for the period 5/1/22 – 4/30/23, strategic improvements are required in the following business processes:

- All disbursements must be pre-approved by the principal and services over \$1,500 should be paid through an MCPS Purchase Order.
- Budgets must be monitored to compare income and expense projections to actual results.
- Payments to MCPS employees must adhere to the ECA guidelines.
- Cash and checks (funds) must be collected by sponsors and promptly remitted to the school financial specialist.
- There must be dual control in the cash receipts process and the financial specialist can only collect obligations from students.
- SEIU employees may not be employed to work beyond 8 hours a day or 40 hours a week.
- Class coverage for AP Testing should not exceed the teachers planning period.

| Action Steps | Person(s) Responsible | Resources Needed | Monitoring Tools / Data Points | Monitoring: Who & When | Results/Evidence |
|---|---------------------------------------|--|---|---|--|
| SBA and SFS will review MCPS policies with IAF sponsor and monitor all disbursement requests to ensure that appropriate pre-approvals are obtained and payments for services over \$1500 are processed through Procurement and the HUB. | IAF sponsors supported by SBA and SFS | Access to financial forms and MCPS financial policies. | SBA and SFS will review IAF sponsor expectations. | SFS will monitor disbursement requests when received. SBA will monitor HUB requests when received | Improved adherence to policies associated with disbursement preapprovals |
| SBA will request budgets from IAF sponsors and Athletic Specialist at the beginning of year and monitored monthly or during the timeline of single events (such as plays, Prom, Homecoming, etc.). | IAF sponsors supported by SBA and SFS | Approved Budget docs | Budgets will be reviewed by SBA and SFS. | SFS will monitor budget activity monthly or as needed | Improved adherence to the budget process |
| SBA and SFS will review ECA guideline policy with IAF sponsors using MCPS staff for extra-curricular activities to set-up stipend payments. | SBA and SFS supported by Admin Sec | ECA policy handbook Lawson | SFS and Admin Secretary will set up appropriate stipend positions | Admin Secretary and SFS will monitor use of stipends | Improved adherence to MCPS policy regarding the payments to employees for stipends |

| Action Steps | Person(s) Responsible | Resources Needed | Monitoring Tools / Data Points | Monitoring: Who & When | Results/Evidence |
|--|--|---|---|--|---|
| Mandatory training sessions will be required by IAF sponsors to review cash handling responsibilities. | SFS and IAF sponsors supported by SBA | Training materials Financial Manual | Record of training and agreement of policies prior account access | SFS will monitor all transactions received from sponsors | Improved adherence to policies regarding cash receipts from students |
| SFS will only collect funds for obligations. | SFS and IAF sponsors supported by SBA | Training materials Financial Manual | Record of training and agreement of policies prior account access | SFS will monitor all transactions received from sponsors | Improved adherence to policies regarding cash receipts from students |
| SEIU employees will work within their duty day for the administration of AP exams. | AP Exam Administrator supported by SFS, SBA and AP Coordinator | Annual AP memo/ training materials | SFS will monitor the AP proctor duties and compensation paid for proctors, substitutes and coordinators | AP Admin and SFS during the administration of AP exams | Improved adherence to policies regarding the employment of AP proctors and use of substitutes |
| Teachers will no longer receive class coverage compensation for proctoring AP exams during their planning period. Substitute teachers, retired staff or non-MCPS contractors will be used as proctors. | AP Exam Administrator supported by SFS, SBA and AP Coordinator | Annual AP memo/ training materials Sub system | SFS will monitor the AP proctor duties and compensation paid for proctors, substitutes and coordinators | AP Admin and SFS during the administration of AP exams | Improved adherence to policies regarding the employment of AP proctors and use of substitutes |

OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

☒ Approved ☐ Please revise and resubmit plan by _____

Comments: _____

Director:  Date: 7/18/23