


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 14, 2019

MEMORANDUM

To: Ms. Nicola Diamond, Chief Financial Officer

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Fiscal Year 2019 Cell Tower Revenue Distribution

In November 1997, the Board of Education adopted Policy ECN, *Telecommunications Transmission Facilities*, to establish criteria for evaluating applications to place private telecommunications transmission facilities at schools. A formula was then developed to share the lease revenue that would be collected by Montgomery County Public Schools (MCPS) in connection with telecommunication towers located at schools. This formula provided for one-third of the revenue to be distributed to the host school, one-third to be distributed to the other schools in the cluster, and the final third to be retained within the Real Estate Management Enterprise Fund. The Internal Audit Unit conducted an audit of the Fiscal Year (FY) 2019 revenue distribution to MCPS schools to determine compliance with the sharing formula and accounting for the funds.

On November 20, 2018, Mr. James C. Song, director, Department of Facilities Management, provided a memorandum to the MCPS Division of Controller (DOC) requesting distribution of the \$539,841.99 annual cell tower revenue to 49 schools according to a list of revenue sharing payments (refer to Attachment A). Mr. Song also provided individual memorandum notification to each of the 49 school principals informing them of their share of cell tower revenue that they would be receiving. Six of the forty-nine schools received two payments; one for their school and the other for them to distribute to their consortia schools.

The DOC recorded the revenue distribution in the Financial Management System (FMS) effective December 1, 2018, and processed the revenue for deposit via the Automated Clearing House (ACH) electronic network for financial transactions directly into each of the 49 school's respective IAF checking account. School financial agents, in turn, would confirm with their respective bank that the ACH revenue had been credited to their checking account, and then record the revenue into their school's checking account, number 9920.0000, and cell tower commission account, number 0100.0000, within the School Funds Online (SFO) IAF accounting software. The six schools receiving two payments write checks to their consortia schools for distribution of their share of the cell tower revenue using the funds of the second payment (refer to Attachment B).

We noted the following transactions pertaining to the cell tower revenue distribution process:

- FMS recorded 56 (50 + 6 second payments to consortia schools) ACH payments on 12/1/2018 totaling \$539,841.99.
- Neelsville Middle School received two ACH payments by virtue of its location within two clusters.
- The first ACH revenue receipts were recorded in SFO on 12/7/2018.
- The last ACH revenue receipt was recorded in SFO on 1/17/2019.
- Check payments were received by 48 schools.
- The first checks were written for distribution to consortia schools on 12/12/2018.
- The first check revenue receipts were recorded in SFO on 12/17/2018.
- The last checks were written for distribution to consortia schools on 01/03/2019.
- The last check revenue receipt was recorded in SFO on 1/24/2019.

December 11, 2018, was the latest date that a bank processed the ACH payment to credit a school's checking account with the cell tower revenue. Of the 50 ACH payments, 35 of them, or 70 percent, were recorded in SFO after December 11, and 20 of those 35 were not recorded until into January. It appears that the financial agents at the 35 schools who recorded their ACH receipt after December 11 waited until receiving their December bank statement before recording the revenue in SFO. This practice does not provide the principal with the most current information for decision making, especially considering that cell tower commission revenue is not student generated, allowing these funds to be used for activities such as staff development.

As of January 24, 2019, the total amount of \$539,841.99 for the FY 2019 cell tower revenue distribution has reconciled with the FMS and SFO accounting records. We appreciate the cooperation and assistance of Mrs. Jill S. Barnes, fiscal assistant, Real Estate Management Team. No response to this audit report is required.

RWP:ish

Attachments

Copy to:

Members of the Board of Education	Mr. Song
Dr. Smith	Mr. Tallur
Dr. Navarro	Ms. Webb
Dr. Statham	
Dr. Zuckerman	
Mr. Civin	
Dr. Johnson	
Mrs. Barnes	
Mrs. Camp	
Mrs. Chen	
Mr. Reilly	