


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

March 22, 2019

MEMORANDUM

To: Mr. Kevin E. Lowndes, Associate Superintendent  
Office of Special Education

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

Subject: Report on Audit of Special Education Allocated Funds for the Period  
July 1, 2017, through January 31, 2019

Instructional materials funds of Montgomery County Public Schools (MCPS) are allocated for all students based on a per-pupil amount. These funds are to be used for the purchase of classroom materials required to implement the curriculum or materials for staff development of staff implementing the curriculum. Since the Office of Special Education (OSE) allocates additional funds for special education students, some students will be funded twice. Each fiscal year, the chief financial officer issues a memorandum to elementary school principals that provides general information regarding the allocation of operating funds to support Grades K-12 instruction (refer to May 17, 2018, memorandum, *Preliminary Fiscal Year 2019 Operating Fund Allocations for Elementary Schools*). A similar memorandum is issued to middle and high school principals.

At your request, we conducted an audit of expenditures of the OSE allocated special education funds to determine if those funds were appropriately used by schools. The audit evaluated compliance with policies, regulations, and procedures, and reviewed processes for continuous improvement. Generally accepted audit procedures guided the work of examining samples of records and financial accounts to verify their accuracy, as well as assessing the effectiveness of financial control procedures. The audit was not designed to review every transaction or activity, but sought to provide reasonable assurance that any significant errors or omissions in the financial records would be detected.

At our March 8, 2019, meeting with you; Mr. Robbie M. Byrd, fiscal supervisor, Office of Special Education; Mrs. Julie S. Hall, director, Division of Business, Fiscal and Information Systems (DBFIS); and Mrs. Martha F. Dorner, fiscal specialist, DBFIS, we reviewed the status of present conditions and discussed information distributed to schools detailing guidelines for expenditures of special education funds. This audit report presents the findings and recommendations resulting from our examination of the records and financial accounts for the period designated above.

Findings and Recommendations

We randomly selected four elementary, four middle, and four high schools to review financial expenditure transactions. The three types of transactions reviewed included expenditures of allocated funds made directly from input into the Financial Management System (FMS), expenditures made from the respective school's Independent Activity Fund (IAF) that are later reimbursed from allocated funds via FMS, and expenditures made by individual school staff members using a MCPS purchasing card that is directly linked to the school's FMS special education allocation account. Since only four of the selected schools had individual staff members who were issued purchasing cards linked to their respective school's special education account, we expanded our review by randomly selecting additional card holders from other MCPS schools having purchasing cards linked to their special education accounts.

In our review for school expenditures of special education funds, we found items purchased to generally meet MCPS requirements. However, we noted weaknesses in controls over the use of MCPS purchasing cards linked to these funds. Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card User's 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 must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. In our examination of 12 schools using purchasing cards linked to special education accounts, we found that 10 of them had transactions from prior periods that had not been reviewed by cardholders and/or approved by the principal as required. Further examination of additional cardholders and transactions at these 12 schools revealed that this appears to be a systemic issue of noncompliance with the MCPS purchasing card requirements, and not specific to cards linked only to special education accounts. We individually notified those schools directly, and the Division of Controller staff of these deficiencies, and recommended that actions be taken to review and approve the outstanding items.

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of your staff. As we found controls over expenditures of special education funds to be adequate, a written response to this report is not required.

RWP:DKH:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mrs. Hall

Mr. Tallur

Ms. Webb