

Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

February 10, 2016

**MEMORANDUM**

To: Dr. Yong-Mi Kim, Principal  
Herbert Hoover Middle School

From: Roger W. Pisha, Supervisor, Internal Audit *RWP*

Subject: Report on Audit of Independent Activity Funds for the Period  
July 1, 2014, through December 31, 2015

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. 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 IAFs are administered in accordance with MCPS policies, regulations, and procedures.

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 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.

In our meeting on February 9, 2016, with you and Mrs. Susan Mapes, financial specialist, we reviewed the status of the conditions described in our prior audit report dated August 4, 2014, 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**

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their account or their account has a balance. We found this essential internal control procedure

was not always followed. We recommend all sponsors be given a monthly statement of their accounts according to procedure and be required to verify that all transactions have been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. A procedure should be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

In accordance with the MCPS Financial Manual p. 20-5, aggregate school expenditures for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year without the prior written authorization from the chief operating officer (COO). We found that expenditures for staff refreshments and appreciation exceeded the total amount allowed in FY 2015, without approval of the COO. We also found instances in which expenditures for these items were incorrectly classified and recorded in various accounts. Such commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision-making. We recommend you correctly classify and record these transactions for more accurate accountability as well as adhere to the guidelines.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. By the fifth 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. Transactions on the principal's cards are to be reviewed and approved by the associate superintendent. We found that most cardholders had not promptly prepared their monthly statements, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions by signing monthly statements to verify review or by reviewing online as required. Action is needed to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Sixth grade students at each middle school in MCPS participate in a three-day, two-night residential outdoor environmental education program (OEEP) for which they are assessed an activity fee to reimburse MCPS for personal expenses associated with the program. Students unable to pay the OEEP activity fee receive waivers. Any waivers must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. We found that the school did not correctly report all funds collected from students that resulted in school records not corresponding to the OEEP invoice to the school. We recommend that you review the procedures for reporting fees collected from students with the sponsor, and that financial assistance forms are reviewed for accuracy before they are submitted.

Summary of Recommendations

- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial agent;
- Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO;
- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded;
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*; and
- OEEP sponsor records must correctly report funds collected and waivers granted for all participating students.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, please provide a response to the Internal Audit office within 30 days of this report, with a copy to Dr. Michael Zarchin, director of middle schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Dr. Zuckerman  
Dr. Statham  
Dr. Navarro  
Dr. Williams  
Mrs. Chen  
Mrs. DeGraba  
Mrs. Milwit  
Dr. Zarchin

**Fiscal Management Action Plan****School:** Hoover Middle School**Principal:** Yong-Mi Kim**Approved by associate superintendent:** Dr. Darryl Williams**Date of approval:** \_\_\_\_\_

<b>Findings and Recommendations of School's Financial Report</b>	<b>Description of Resolution And Person(s) Responsible</b>	<b>Timeline</b>	<b>Evidence of Completion</b>
<p>Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their account or their account has a balance. We found this essential internal control procedure was not always followed.</p> <p>We recommend all sponsors be given a monthly statement of their accounts according to procedure and be required to verify that all transactions has been correctly recorded. After any discrepancies are resolved, the statements should be signed and dated by the sponsor to attest to their accuracy.</p> <p>A procedure should be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).</p>	<ul style="list-style-type: none"> <li>• Principal and Financial Asst will attend the two recommended upcoming financial training for financial managers           <ul style="list-style-type: none"> <li>○ Part 1</li> <li>○ Part 2</li> </ul> </li> <li>• We appreciated internal audit's help with exporting the chart of accounts into an Excel report to more accurately track returned account history reports for the staff and principal.</li> <li>• We did track monthly account history reports, but the additional excel list of accounts for the principal and sponsors promotes visibility and assurance that all reports are returned each month.</li> <li>• Accounts have been reviewed with teachers and transactions were done to resolve all discrepancies. The statements were dated and signed. The principal then reviewed the transactions and the summary of all transactions/accounts and</li> </ul>	<ul style="list-style-type: none"> <li>• 4/16</li> <li>• 3/16</li> <li>• 3/1/16</li> <li>• 3/1/16</li> <li>• 3/1/16</li> </ul>	<ul style="list-style-type: none"> <li>• PDO</li> <li>• Signed monthly statements of each teacher's account</li> <li>• Signed monthly statements of each teacher's account</li> <li>• Summary of transaction report-signed and dated by the principal</li> </ul>

**Recommendation:**

Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the

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signed the coversheet.	• Furthermore, end of year plans have been adapted for issuing and receiving the May and June account history reports before staff vacates for summer. We implemented these procedures in January 2016.	• June 2016	• May/June account history report of all transactions- signed and dated by sponsors and principal.	
In accordance with the MCPS Financial Manual p. 20-5, aggregate school expenditures for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year without the prior written authorization from the chief operating officer (COO).  We found that expenditures for staff refreshments and appreciation exceeded the total amount allowed in FY 2015, without approval of the COO.  We also found instances in which expenditures for these items were incorrectly classified and recorded in various accounts.	• The audit was helpful in clarifying how the staff appreciation account is utilized and its proper functioning. • The school was aware of the formula for tracking staff appreciation and we observed the allowable amounts, however we apologize for a misunderstanding regarding donations and adjustments made to this account. In the past, the PTA have asked the administration to provide the refreshments and then would reimburse the school.	• 3/1/16	• Staff Appreciation account balance	
Such commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision-making. We recommend you correctly classify and record these transactions for more accurate accountability as well as adhere to the guidelines.	• In the future, teacher appreciation efforts from the PTA will be delivered straight from the PTA funds and not first deposited into the school funds for payment. Only staff appreciation from the school will be paid with school funds. • We were advised by the prior auditor that the funds could be used to pay for meeting refreshments. • We now understand how to notify the COO for purchases requiring a higher	• 3/1/16	• Prior approval	

<p><b>Dr. Yong-Mi Kim</b></p> <p><b>Recommendation:</b></p> <p>Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO. Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded.</p>	<p>- 4</p>	<p>February 10, 2016</p> <ul style="list-style-type: none"> <li>level of authority.</li> <li>Expenditures for items will be correctly classified and recorded in various accounts.</li> <li>The use of form 281-53 will be used in the future to be sure we have followed proper procedure and the adherence to tracking the staff appreciation accounts will be monitored with more efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>● 3/1/16</li> <li>● 3/1/16</li> </ul>	<ul style="list-style-type: none"> <li>● from COO Account balances</li> <li>● Form 281-53</li> </ul>
<p><b>Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS Purchasing Card Users Guide.</b> By the fifth 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. Transactions on the principal's cards are to be reviewed and approved by the associate superintendent. We found that most cardholders <u>had not promptly prepared their monthly statements, or reviewed their transactions in the online reconciliation program.</u> We also found that the principal had not approved all transactions by signing monthly statements to verify review or by reviewing online as required. Action is needed to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.</p>		<ul style="list-style-type: none"> <li>● Principal and Financial Asst will attend the two recommended upcoming financial training for financial managers <ul style="list-style-type: none"> <li>○ Part 1</li> <li>○ Part 2</li> </ul> </li> <li>● Internal audit was once again useful and insightful for assisting with demonstrating some misconceptions and misunderstandings with the new roll out for the JP Morgan purchase card program since the last audit.</li> <li>● The school was making every effort to submit the backup for authorization to the Assistant Superintendents office each month, but we have a better understanding now about accessing the reports and observing timelines with greater accountability.</li> <li>● Cardholders will use the online reconciliation program to identify, describe, and review transactions.</li> <li>● Monthly statements will be printed and provided to the principal, with all</li> </ul>	<ul style="list-style-type: none"> <li>● 4/16</li> <li>● 3/16</li> </ul>	<ul style="list-style-type: none"> <li>● PDO</li> <li>● Ongoing-Monthly</li> <li>● Ongoing-Monthly</li> <li>● Online data</li> <li>● Monthly report of all</li> </ul>

<p><b>Dr. Yong-Mi Kim</b></p> <p><b>Recommendation:</b> Purchase card activity must comply with the MCPS <i>Purchasing Card User's Guide.</i></p>	<p>- 5</p> <ul style="list-style-type: none"> <li>purchase receipts and invoices attached.</li> <li>The principal will review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program and submit the necessary documents to OSSL.</li> </ul>	<p>February 10, 2016</p> <ul style="list-style-type: none"> <li>Ongoing-Monthly</li> </ul>	<ul style="list-style-type: none"> <li>Monthly report of all transactions</li> </ul>
	<p>Sixth grade students at each middle school in MCPS participate in a three-day, two- night residential outdoor environmental education program (OEEP) for which they are assessed an activity fee to reimburse MCPS for personal expenses associated with the program. Students unable to pay the OEEP activity fee receive waivers. Any waivers must be reported to MCPS so that the total amount of the invoice billed to schools is adjusted accordingly. We found that the school did not correctly report all funds collected from students that resulted in school records not corresponding to the OEEP invoice to the school. We recommend that you review the procedures for reporting fees collected from students with the sponsor, and that financial assistance forms are reviewed for accuracy before they are submitted.</p> <p><b>Recommendation:</b> OEEP sponsor records must correctly report funds collected and waivers granted for all participating students.</p>	<ul style="list-style-type: none"> <li>Trained teacher/staff members on proper sponsorship of field trips and fundraising activities.</li> <li>The complexity of Outdoor Ed Program and particularly the use of three sites for the 2014 program offered a real challenge for working with each site to be sure they knew how to monitor and oversee the proper billing, examining costs and detailed receipting for the school wide outing.</li> <li>We thoroughly reviewed with Internal Audit how we could modify, clarify, and include our school management to provide the highest level of oversight for monitoring all financial aspects of this undertaking.</li> <li>We will hold additional meetings with coordinators, add more detail to the excel worksheet that reflects payments to the various sites, and monitor more closely the financial process from beginning to end this beneficial program.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> <li>3/5/16</li> <li>3/1/16</li> <li>4/11/16</li> </ul> <ul style="list-style-type: none"> <li>Notes from sponsor meetings</li> <li>6<sup>th</sup> grade planning OEEP meeting</li> <li>OEEP trip packet</li> <li>OEEP financial plan</li> </ul>