


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 5, 2017

MEMORANDUM

To: Mrs. Jennifer A. Baker, Principal
Walter Johnson High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2015, through March 31, 2017

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 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 meeting on May 16, 2017, with you, Mrs. Kathleen M. Cosgrove, school business administrator, and Mrs. Virginia E. Howard, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated March 30, 2016, 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

Aggregate school expenditures of general funds 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) (refer to *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded

in accordance with the IAF chart of accounts. We found that you exceeded the total amount allowed in FY 2016, without the 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 that you adhere to the MCPS requirements as well as correctly classify and record these transactions for more accurate accountability.

If the principal determines that the IAF is to be used for any staff development expenditure, the source of the funds may not be student generated (refer to *MCPS Financial Manual*, chapter 20, page 10). We noted that you used student funds to support staff development activity. We recommend that you adhere to the MCPS requirement for the source of funds to support staff development activities.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card User's 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 or delegated approver, with all purchase receipts and invoices attached. The principal or delegated approver must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. We noted that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also noted that the principal and, delegated approver, had not approved all transactions online. We recommend that action is taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist together with MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*. The funds should be counted in the presence of the purchaser, and a receipt that is supported by the MCPS Form 280-34 should be issued promptly. We found that some sponsors were holding funds collected rather than remitting them to the school financial specialist on a daily basis. Funds received should, in turn, be promptly deposited into the school's bank account. Infrequent deposits increase the possibility of a loss or theft of funds as well as decrease the school's ability to pay for activities. To minimize the risk of loss or theft and provide availability of funds to meet school needs, all funds collected should be remitted to the school financial specialist daily for prompt deposit (refer to *MCPS Financial Manual*, chapter 7, page 4).

In accordance with MCPS Regulation EGD-RA, *Telephone Services and Costs*, MCPS provides cellular service to employees whose job responsibilities regarding the health and safety of students and staff require immediate communications and decision making, increase productivity, and/or increase service to the public. We noted that six employees were provided cellular service for phones enrolled in a plan paid by IAF funds. Upon review of the monthly call logs, we found that some of the phones were being used at night and over the weekend. We recommend that detailed invoices be obtained for review to determine whether or not cellular service usage for these

particular phones was MCPS job-related. If you determine that cellular service should be continued for these employees, we recommend that the equipment and service plan selected should meet the goals of the school's educational and business purposes with the least expenditure of IAF funds. We further recommend that these phones be used only during duty hours and returned to the business office at the end of each school day and at the end of the school year.

The chief financial officer (CFO) annually provides a communication to principals that outlines the use of IAF to support the implementation of advanced placement (AP) exams (see attached memoranda). The guidelines state that when the work required for coordination/implementation of the AP testing program is not assigned to staff members as part of their job responsibilities, schools may use IAF to compensate staff members for the work. Schools may compensate an AP coordinator for up to 125 hours of work done outside of the duty day to plan/coordinate the AP testing program. We found that you paid your AP coordinators a total of 262 hours without approval of the chief operating office (COO). We recommend that you work with staff to ensure procedures are in place to effectively manage external exam activities and that you receive approval from the COO should you need to exceed the allowable number of hours.

Summary of Recommendations

- Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO (**repeat**).
- Staff development expenditures must be funded from non-student revenue sources.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).
- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial agent (**repeat**).
- Cellular service should be provided in accordance with MCPS Regulation EGD-RA.
- AP coordinators cannot be paid more than 125 hours without COO approval.

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*, please provide a response to the Internal Audit Unit within 30 calendar days of this report through Dr. Debra S. Munk, director of school support and improvement of high schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:lsb

Attachments

Copy 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
Dr. Munk
Mr. Tallur
Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: Walter Johnson High School

Principal: Jennifer Baker

Fiscal Year: FY17

Associate Superintendent: Dr. Darryl L. Williams
Associate Superintendent of Secondary Schools

Director: Dr. Debra S. Munk, Director of School Support &
Improvement of High Schools

Strategic Improvement Focus:

As noted in the financial audit for the period 12/1/2015 – 3/31/2017, strategic improvements are required in the following business processes:

- Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO
- * Staff development expenditures must be funded from non-student revenue sources.
- * Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- * Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial agent.
- * Cellular service should be provided in accordance with MCPS Regulation EGD-RA.
- * AP coordinators cannot be paid more than 125 hours without COO approval.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Submit approval request for exceeding \$60 per FTE before exceeding the limit in a fiscal year.	Kathleen Cosgrove	MCPS form 281-53	Will monitor IAF accounts for staff food and staff appreciation	Kathleen Cosgrove/monthly	Will receive approval from COO before exceeding \$60 per FTE limit in a fiscal year (if needed)
Will not use IAF funds from student revenue sources to fund staff development	Kathleen Cosgrove	Non-student revenue sources	IAF accounts	Kathleen Cosgrove & Virginia Howard	Spending for staff development will only be funded by non-student revenue sources
Reviewing and approval of all WJHS purchasing cardholder transactions will take place in a timely manner as stated in the MCPS <i>Purchasing Card User's Guide</i>	Jennifer Baker Kathleen Cosgrove		JP Morgan online reconciliation program	Kathleen Cosgrove on the 5 th of each month Jennifer Baker on the 10 th of each month	Transactions will be reviewed by the 5 th of each month by cardholders and statements will be turned in with receipts to be signed by Kathleen Cosgrove Transactions will be approved by Kathleen Cosgrove by the 10 th of each month. Kathleen Cosgrove's statements & transactions will be approved by Jennifer Baker by the 10 th of each month

Continue to work with staff to ensure funds collected by sponsors are remitted intact with MCPS form 280-34 to Virginia Howard, Financial Specialist	Jennifer Baker Kathleen Cosgrove Virginia Howard	Email Staff meetings	IAF Accounts	Virginia Howard/ as funds are collected	Working with staff through email reminders from the principal and staff meetings we should see staff sponsors submitting funds to the financial specialist on the date funds are collected
Cell phones will not be taken out of the building during non-duty hours. During the school year phones will remain in the security office to charge overnight. At the end of the school year all phones will be turned in to the business administrator and then signed out to security staff at the beginning of each school year.	Kathleen Cosgrove Security staff		Sprint online account summaries	Kathleen Cosgrove/monthly	Cell phones will only be used by security staff during duty hours.
Jennifer Baker is currently working with our COO to increase the current approved AP Coordinator hours from 125 hours to 262 hours for our AP co-coordinators	Jennifer Baker Kathleen Cosgrove	Additional approved AP coordinator hours			Will not exceed approved AP coordinator hours

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

☒ Approved

☐ Please revise and resubmit plan by _____

Comments: _____

Director: _____

Date: _____

8/3/17