


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 25, 2018

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  
April 1, 2017, through March 31, 2018

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 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 June 6, 2018, 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 June 5, 2017, 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. Although you received COO approval to increase expenditures above the standard amount allowed in Fiscal Year 2017, we found that you exceeded that additional authorization. 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. Beginning with FY 2018, this calculation is based on the number of individual staff members assigned to a school (refer to chief financial officer (CFO) memorandum, August 31, 2017, *Information – New Process for Calculating Staff Appreciation and Refreshment Spending Limit*). We recommend that you adhere to the MCPS requirements as well as correctly classify and record these transactions for more accurate accountability.

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 be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

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 the IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we found that prior approval was not consistently obtained when required to include budget expenditures, and invoices were not always signed by the receiver. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought, and that purchasers sign invoices to indicate satisfactory receipt of goods or services. We further recommend that approved budgets be monitored by your business office and revised if necessary.

The CFO annually provides a memorandum to principals that outlines the use of IAF to support the planning, coordination, and implementation of advanced placement (AP) testing. 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 (refer to CFO memorandum, October 19, 2017, *Action – Fiscal Year 2018 Exam Fee Subsidies for Students with Financial Need*). We found that you paid your AP coordinators a total of 274 hours

without approval of the 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)**.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide (repeat)*.
- Purchase requests must be approved by the principal prior to procurement.
- Invoices must be annotated by the purchaser to indicate goods or services were satisfactorily received.
- Budgets must be monitored to compare income and expense projections to actual results.
- AP coordinators cannot be paid more than 125 hours without COO approval **(repeat)**.

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*, using the attached form, please provide a written response to the Internal Audit Unit within 30 calendar days of this report. In your 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. Jennifer L. Webster, director of school support and improvement of high schools. Based on the audit recommendations, Mrs. Webster will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial agent to support you with developing a well-defined plan to address the findings.

RWP:RCM: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  
Mr. Tallur  
Mrs. Webster  
Mr. Ikheola



## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date:</b> June 25, 2018	<b>Fiscal Year:</b> FY18
<b>School:</b> Walter Johnson High School	<b>Principal:</b> Jennifer Baker
<b>OSSI</b> <b>Associate Superintendent:</b> Dr. Darryl Williams	<b>OSSI</b> <b>Director:</b> Michelle Schultze

### Strategic Improvement Focus:

As noted in the financial audit for the period April 1, 2017 – March 31, 2018, strategic improvements are required in the following business processes:

1. Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO.
2. Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*
3. Purchase requests must be approved by the principal prior to procurement.
4. Invoices must be annotated by the purchaser to indicate goods or services were satisfactorily received.
5. Budgets must be monitored to compare income and expense projections to actual results.
6. 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
An approval request was submitted and approved for FY17; however, we did not include the cost of our end of year staff luncheon. This year MCPS form 281-53 was submitted and approved for a spending increase of \$2,000 which covered all FY18 expenses for staff food and appreciation.	Kathleen Cosgrove	MCPS form 281-53	Will continue to monitor IAF accounts for staff food and appreciation	Kathleen Cosgrove and Virginia Howard will monitor accounts monthly	Total expenditures for staff food and staff appreciation will not exceed \$60 per FTE per fiscal year without prior approval
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> . We will meet with cardholders when they return in August 2018 to review proper procedures for card use and submitting monthly statements.	Jennifer Baker Kathleen Cosgrove		JP Morgan online reconciliation program	Kathleen Cosgrove on the 5 <sup>th</sup> of each month  Jennifer Baker on the 10 <sup>th</sup> of each month	Transactions will be reviewed on the 5 <sup>th</sup> of each month by cardholders and approved by Kathleen Cosgrove on the 10 <sup>th</sup> of each month.  Statements will be turned in with receipts to be signed by Kathleen Cosgrove.

					Kathleen Cosgrove's statements and transactions will be approved by Jennifer Baker on the 10 <sup>th</sup> of each month.
We will continue to work with staff during pre-service week in August, and throughout the year. We will also work with staff and ILT to explain purchase requests should be submitted with an estimate of expected cost and approved by the principal before making a purchase.	Jennifer Baker Kathleen Cosgrove Virginia Howard	Staff meetings  ILT meetings  Email	MCPS Form 280-54	Kathleen Cosgrove and Ginger Howard will not process a request if it has not been approved by the principal	Staff will complete MCPS form 280-54 and receive approval from the principal before making purchases.
We will communicate to staff that all invoices must be signed and dated to show that items and or services have been received. Requests will be returned if invoices have not been signed and dated.	Kathleen Cosgrove Virginia Howard	MCPS Form 280-54	MCPS Form 280-54	Kathleen Cosgrove and Virginia Howard will review invoices when they are submitted with MCPS Form 280-54	All invoices will be signed and dated to show satisfactory receipt of goods and services.
Financial Specialist is working with our Athletic Director to submit an accurate budget for FY19. We will also continue to work with WJHS Stage to submit an accurate budget for the FY19 Fall Show and Spring Musical.	Kathleen Cosgrove Virginia Howard	Budgets from athletic director and WJ Stage	IAF accounts MCPS Form 280-54	Will update budgets as MCPS Form 280-54 request for purchase are submitted by AD and WJ Stage	Athletic Director and WJ Stage will work within their budgets.
A request was submitted to Andrew Zuckerman on April 17, 2018 to increase our allocated hours for the AP Coordinator(s) from 125 hours to 275 hours. We were granted an increase from 125 hours to 185 hours for FY18; however, our AP Coordinators worked 274 hours to administer successfully 2,739	Jennifer Baker Kathleen Cosgrove	Additional hours approved for our AP Coordinator position that is shared by	AP Coordinators will submit daily records of hours and duties worked as AP Coordinator January – May.	Jennifer Baker Kathleen Cosgrove January – May	Will work to reduce hours spent on AP Coordinator duties. However, this continues to be very difficult as our program grows. This year we gave over 2,600 AP exams. We



AP exams. We will also request COO approval for additional hours for FY19.		2 staff members			have many students that require accommodations. It is a huge undertaking and the allocations to large schools needs to be reexamined.
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OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> <b>Approved</b> <input type="checkbox"/> Please revise and resubmit plan by _____	
Comments: _____	
Director: <u>Michelle Sep</u>	Date: <u>7-26-18</u>

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