

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland


July 3, 2019

MEMORANDUM

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

From: Mary J Bergstresser, Acting supervisor, Internal Audit Unit

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2018, through April 30, 2019



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 fundraisers. They are responsible for ensuring that the IAFs are administered in accordance with Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 any significant errors or omissions in the financial records are detected.

At our June 24, 2019, meeting 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 25, 2018, 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

The IAF procurement of goods and services must be approved in writing, by the principal, prior to staff proceeding with any intended purchase. This prior approval may be granted by the principal's signature on MCPS Form 280-54, *IAF Request for a Purchase*, or a budget prepared

by the sponsor of a school activity and approved by the principal. The sponsor cannot exceed the total amount of expenditures in the approved budget without receiving prior written approval of the principal. The financial agent is responsible for monitoring budgets to ensure expenditures conform to what the principal has approved. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt (refer to *MCPS Financial Manual*, chapter 20, page 4). Approval is required from the Chief Financial Officer (CFO) for purchases that exceed \$7,500. We found that several line items on the athletic budget had been overspent and a revised budget had not been prepared in order to obtain the principal's prior approval for these expenditures. Invoices/packing slips were not always signed by the receiver to indicate satisfactory receipt of goods or services and a request was not made for CFO approval for athletic equipment that exceeded \$7,500. We recommend that your approved athletic budget be monitored by a financial agent and revised, if necessary, for the principal to approve, or utilize MCPS Form 280-54 to support prior approval of expenditures exceeding the original budget. We also recommend that invoices be marked by purchasers to indicate all items were received in good condition and CFO approval be obtained for all purchases over \$7,500.

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. We found that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. The principal had not approved all transactions online. We found purchases charged to the school's MCPS operating budget funds, 03 card, that were not instructional materials/office supplies. Charged to the IAF funds, 05 card, we found gift card purchases and sales tax charged that was not repaid or refunded by the vendor. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides procedures for the accounting for sales of admission tickets. We found several athletic events with a shortage of issued tickets causing collection of gate receipts with no ticket accountability. This effectively eliminated the vital control that results from reconciling the number of tickets sold with the amount collected at the event gate. We recommend that admission to all events be controlled in accordance with the above cited regulation.

The CFO provides guidelines for use of the IAF to support the planning, coordination, and implementation of advanced placement (AP) testing. Staff can be paid for time worked outside of the employee's duty day according to MCPS pay rate guidelines. During Fiscal Year 2019, schools could compensate a combined total of 175 hours for an AP coordinator (limited to 150 hours) and clerical support (refer to attached guidelines outlined in the CFO memorandum, October 18, 2018, *Action – Fiscal Year 2019 Exam Fee Subsidies for Students with Financial Need*). We found that you paid a total of 334 hours in Fiscal Year 2019 for AP coordinator and clerical support without

approval of the CFO to exceed the hours specified in the guidelines. We recommend that prior to your approval of work to be done that could exceed the AP exam guidelines, a detailed budget, including staffing hours needed, and descriptions of job duties be submitted to the MCPS Office of the Chief Financial Officer for approval of the hours to be paid.

The school used Total Registration for AP exam registration and collection of exam fees. Their contract states that all fees must be submitted to them and that the school is not to collect any fees from students. We found that the school did collect some student exam fees. We recommend that when students bring payment to school for AP exams, checks be forwarded directly to total registration and cash be deposited in a school's IAF exchange account with payment made to Total Registration using the school's purchasing card.

#### Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement. When budgets are used for pre-approval, they must be monitored to ensure expenditures do not exceed the approved budget amounts (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchases over \$7,500, with certain exceptions, must have CFO approval.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.
- Employee hours to be worked for AP Exam coordination and clerical support, must comply with the guidelines outlined in the annual MCPS CFO memorandum *Exam Fee Subsidies for Students with Financial Need*. Exceptions to the guidelines must be approved by the CFO (**repeat**).
- AP exam fee collections must be paid to the collection company per contract requirement.

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. Michelle E. Schultze, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mrs. Schultze 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 agents to support you with developing a well-defined plan to address the findings.

RWP:KMH:lsH

Attachments

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mr. Wilson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mrs. Schultze

Mr. Tallur

Ms. Webb

## FINANCIAL MANAGEMENT ACTION PLAN

<b>Report Date: July 3, 2019</b>	<b>Fiscal Year: FY19</b>
<b>School: Walter Johnson High School</b>	<b>Principal: Jennifer Baker</b>
<b>OSSI Associate Superintendent:</b>	<b>OSSI Director: Michelle Schultze</b>

**Strategic Improvement Focus:**

As noted in the financial audit for the period **April 1, 2018 – April 30, 2019**, strategic improvements are required in the following business processes:

1. Purchase requests must be approved by the principal prior to procurement. When budgets are used for pre-approval, they must be monitored to ensure expenditures do not exceed the approved budget amounts.
2. Purchaser must confirm receipt of goods or services prior to disbursement.
3. Purchases over \$7,500, with certain exceptions, must have CFO approval.
4. Purchase card activity must comply with the *MCPS Purchasing Card User's Guide*.
5. Admission events must be conducted in accordance with MCPS Regulation DMB-RA.
6. Employee hours to be worked for AP Exam coordination and clerical support, must comply with the guidelines outlined in the annual MCPS CFO memorandum *Exam Fee Subsidies for Students with Financial Need*. Exceptions to the guidelines must be approved by the CFO.
7. AP exam fee collections must be paid to the collection company per contract requirement.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p>We will work closely with our athletic director to create a budget that will cover the needs for FY20' WJHS athletics. If at some time during the school year we become aware of spending that will take athletics over budget, a revised budget will be submitted for the principal's approval.</p> <p>All purchase requests will be approved by the principal.</p>	<p>Kathleen Cosgrove</p> <p>Virginia Howard</p> <p>Tom Rogers</p> <p>Jennifer Baker</p>	<p>Complete budget for FY20</p> <p>MCPS Form 280-54</p>	<p>Will monitor all budgets throughout the year as spending takes place.</p> <p>Will not process purchase requests without prior approval by the principal</p>	<p>Kathleen Cosgrove and Virginia Howard will monitor budgets and purchase requests</p>	<p>Will not exceed spending of budget request</p> <p>All purchase requests will be pre-approved by the principal</p>
<p>We will communicate to staff that all invoices must be signed and dated to show items and or services have been received.</p>	<p>Kathleen Cosgrove</p> <p>Virginia Howard</p>		<p>Will not accept invoices or packing slips without signature of receiver</p>	<p>Kathleen Cosgrove and Virginia Howard will review invoices and packing slips</p>	<p>Receipt of all goods and services will be confirmed prior to disbursement.</p>

When an invoice/packing slip is submitted it will be returned if it has not been signed by the receiver to indicate satisfactory receipt of goods or services.				when they are submitted to the school bank.	
We will not make any purchases that exceed \$7,500 without CFO approval	Jennifer Baker Kathleen Cosgrove Virginia Howard	MCPS Form 281-55	Purchase will not take place without first submitting MCPS Form 281-55 and receiving approval from CFO	Jennifer Baker will direct staff to Kathy Cosgrove to begin the process of submitting the request to CFO for purchases over \$7500	Purchases over \$7,500 will not be made without CFO approval
At the end of FY19 we were able to update and approve purchase card transactions for cardholders who were behind in their monthly reconciliations.  We will communicate with staff the proper use of school purchase cards. Gift Cards cannot be purchased and sales tax will need to be removed by the vendor if charged to purchase. Only instructional materials and office supplies can be purchased using the '03 card.  Staff will also review all transactions by the 5 <sup>th</sup> of each month.	Jennifer Baker Kathleen Cosgrove Virginia Howard		JP Morgan online reconciliation program	Kathleen Cosgrove will review all transactions when turned in by staff. The monthly statement will be returned if all transactions have not been approved or if sales tax has not been removed.	All account reviewing and approval will be current and not fall behind. Sales tax will be removed and only approved items will be purchased using the school purchasing card.
Heavily attended athletic events will be issued 2 full rolls of admission tickets to avoid a shortage.	Kathleen Cosgrove		Issue enough tickets to cover attendance at large athletic events.	Kathleen Cosgrove will make sure events that use admission tickets will have enough tickets to sell to those	Our admission events will be conducted in accordance with MCPS Regulation DMB-RA.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p>We will follow the AP Exam Administration memo and not exceed 150 hours for payment to AP testing coordinator(s) and 25 hours for clerical work.</p> <p>Coordinators will draft an action plan and checklist for AP testing administration and submit for principal approval.</p> <p>Principal will work with OSSI Director, Michelle Schultze, Scott Murphy and staff from the Fiscal office to discuss and develop a plan to address the size and scope of the WJ AP testing program and our school's specific needs.</p>	<p>Jennifer Baker, principal</p> <p>Kathleen Cosgrove, business manager</p> <p>Gayle Evans, AP testing co-coordinator</p> <p>Dennis Reynolds, AP testing co-coordinator</p>	<p>Memo Guidelines</p>	<p>AP Administration Plan and Checklist due by November 30, 2019</p> <p>AP Coordinators will submit daily records of hours worked and duties performed as AP Coordinator January – May.</p>	<p>Jennifer Baker</p> <p>Kathleen Cosgrove</p> <p>January – May</p>	<p>AP Administration Plan and Checklist with principal approval</p> <p>Daily records of hours and duties from AP testing co-coordinators will meet guideline recommendations</p> <p>Notes and action items from meeting with OSSI director, Scott Murphy and fiscal staff</p>
<p>Due to the security breach this year (FY19) we will no longer be using Total Registration.</p>					

**OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSI) REVIEW & APPROVAL**

**Approved**

**Please revise and resubmit plan by \_\_\_\_\_**

Comments: \_\_\_\_\_

Director: \_\_\_\_\_

*Michelle Schultz*

Date: \_\_\_\_\_

*7/24/19*