


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 12, 2017

MEMORANDUM

To: Mrs. Jennifer L. Webster, Principal
Damascus High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2015, through January 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 March 24, 2017, with you, Mrs. Kerri L. Pitts, school business administrator, and Mrs. Pamela K. Dunn, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated November 17, 2015, 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 accounts and be required to verify that the transactions have been correctly recorded. We found that some sponsors did not return their reports. We recommend sponsors be required to review, and

resolve any discrepancies if noted, and return the signed statements to the school financial specialist (refer to *MCPS Financial Manual*, chapter 20, page 10).

A budget document may be used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, pp 4-5). Although an athletic budget was prepared and approved by the principal, we noted that it did not contain sufficient detail by account number for athletic items purchased with booster donations. We recommend that when necessary, a revision be made to a previously approved athletic budget to include items for expenditure by account number to comply with the requirement of prior principal approval for these disbursements.

Summary of Recommendations

- Monthly account history reports provided to sponsors must be signed to affirm accuracy and returned on a timely basis to the school financial specialist.
- An athletic budget must contain sufficient item detail approved by the principal prior to procurement, and revised when necessary.

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, with a copy to Mr. Brian W. Scriven, 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:KMH:lsh

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. Scriven
Mr. Tallur
Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: Damascus High School

Principal: Jennifer Webster 

Fiscal Year: 2017

Associate Superintendent: Dr. Darryl Williams

Director: Mr. Brian Scriven

Strategic Improvement Focus:

As noted in the financial audit for the period 10/1/15 – 1/31/17, strategic improvements are required in the following business processes:

- Monthly account history reports provided to sponsors must be signed to affirm accuracy and returned on a timely basis to the school financial specialist.
- An athletic budget must contain sufficient detail approved by the principal prior to procurement, and revised when necessary.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools/ Data Points	Monitoring: Who & When	Results/Evidence
<p>Monthly account history reports are being generated and distributed to sponsors with follow-up to ensure timely affirmation.</p> <p>Reports were being distributed and collected previously; however, only reports with activity were required to be signed and returned. In addition, they were not always timely. The process was changed during our audit to comply with the recommendation.</p>	<p>School Financial Specialist (SFS)</p> <p>Account Sponsors</p>	<p>Financial Manual</p> <p>School Funds Online (SFO) Program</p> <p>IAF Accounting Procedures Document (provided to sponsors in their account folders)</p>	<p>This process will be monitored by the SFS who will be collecting the signed and dated reports.</p> <p>Emails by the SFS will provide record of follow-up when the reports are not returned timely.</p>	<p>The SFS will include the school business administrator (SBA) if sponsors are not following procedures.</p> <p>The principal will be involved if the above action does not resolve the matter.</p> <p>Monthly</p>	<p>Completion of this recommendation will be reflected through the inclusion of timely signed reports, which will be filed in the school financial specialist's office.</p>

School: Damascus High School		Principal: Jennifer Webster		Fiscal Year: 2017	
Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools/ Data Points	Monitoring: Who & When	Results/Evidence
<p>The recommendation by audit is to provide sufficient detail by account number in the athletic budget, specifically for items purchased with booster donations to indicate prior approval by the principal. Revisions to the budget should be made when necessary.</p> <p>Currently, the budget is prepared by the athletic director (AD) and signed by the principal to indicate pre-approval for purchases. A final approved budget showing actual expenditures is provided at the end of the year.</p> <p>The AD will work with the SBA to ensure the budget is updated to include further detail and will be revised during the year when additional expenses arise that were not originally forecasted. Separate pre-approval will be required for purchases exceeding the established pre-approval amount if they are not included in the budget or revised budget.</p>	<p>School Financial Specialist</p> <p>Athletic Director</p> <p>School Business Administrator</p> <p>Principal</p>	<p>Financial Manual</p> <p>SFO Program</p> <p>IAF Accounting Procedures Document</p> <p>MCPS Form #280-54 IAF Request for a Purchase</p>	<p>The SBA will work with the athletic director to provide additional detail in the budget for the next fiscal year.</p> <p>The SFO program provides a tool for monitoring and data.</p>	<p>The principal provides the signature approval on the budget and any revisions.</p> <p>Beginning with the FY18 athletic budget and revised during the year, as necessary.</p>	<p>Evidence of completion will be documented by a pre-approved budget as well as any revisions.</p> <p>For purchases not covered within the budget, pre-approved purchase requests will be on file for review.</p>

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____	
Director: <u>Brian W. Seim</u>	Date: <u>6/16/17</u>