


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 15, 2017

MEMORANDUM

To: Mr. James N. D'Andrea, Principal
Northwest 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 3, 2017, with you, Mrs. Angie L. Fish, assistant principal, Mrs. Lori C. Knight, school business administrator, and Mrs. Kathy L. Serbin, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated February 10, 2016, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2016. 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

MCPS Form 280-54: *Independent Activity Funds Request For A Purchase*, is used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*,

chapter 20, page 4). The purpose of each purchase must be fully explained on this form in order to properly record expenditures in the appropriate accounts, and to ensure compliance with IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. Upon disbursement, the school financial specialist will then mark the documentation as "paid." In our sample of disbursements, we continued to find instances in which controls over purchases were weakened that included MCPS Form 280-54 not being prepared and signed by the principal for payments to MCPS. In addition, documentation was not annotated by purchaser to indicate that purchased goods or services were satisfactorily received, documentation to support the purchase was inadequate, and documentation supporting purchases was not always stamped or marked "paid" upon disbursement. By requiring prior approval and complete documentation, the principal maintains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought. All documentation must be adequate to support the purchase and annotated by the purchaser to indicate goods or services were satisfactorily received, and that documentation supporting purchases be stamped or marked "paid" upon disbursement. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your school financial agents and revised if necessary.

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, 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 continue to find that some cardholders have not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal 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.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We noted that sponsors are submitting fund-raiser requests and completion reports, and all these reports are signed by the school business administrator and you. However, most completion reports did not include the total number of items for sale, selling prices, or remaining inventories that made it impossible to determine whether all sums collected were remitted to the school financial specialist. We recommend that sponsors include sufficient information on completion reports to provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of each event.

A memorandum is issued annually with guidelines for management and accounting of external exam fees paid for students who are eligible for waivers and fee reductions. We found a lack of adherence to these guidelines. The monitoring spreadsheet used by the testing coordinator did not meet MCPS requirements, and we were unable to reconcile amounts collected from students receiving partial hardship waivers to actual receipts. In addition, the school used the online

company, Total Registration, for AP exam registrations and collection of exam fees. However, the school collected some exam fees and inconsistently recorded data in the Total Registration system so that we could not reconcile total receipts to the records. We recommend that you work with staff to ensure that procedures are in place to effectively manage external exam activities and that waivers reported are accurate and well documented. If you are to continue service with Total Registration you are required to send all exam fee payments to them and not independently collect any fees from students.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- Purchase documentation must be adequate to support disbursements.
- Purchase invoices and receipts must be annotated as paid to indicate disbursement was made.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide* (**repeat**).
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results (**repeat**).
- External exam procedures must comply with MCPS guidelines.

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:MJB:ish

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

Fiscal Management Action Plan

School: Northwest High School

Principal: Jimmy D'Andrea

Approved by associate superintendent:



Date of approval:

6/29/17

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
MCPS Form 280-54: Independent Activity Funds Request for a Purchase must be approved by the principal prior to procurement and contain receipt of goods or services, documentation to support disbursements and invoice/receipt marked paid.	FS will continue to meet with those making requests to review policy and procedure expected for preapproval of purchases as well as obtain the necessary documentation to support the purchase. FS will also make sure documents are marked paid when the purchasing process is complete.	Ongoing	Preapproved check requests with required attachments.
Purchase card activity must comply with the MCPS Purchasing Card User's Guide.	SBA met with each cardholder to ensure proper procedures are followed and deadlines are met.	February 27, 2017 and Ongoing	February 2017 Statement of Account Landscape reports were completed properly, reviewed and approved on time.
Fundraiser completion reports prepared by sponsors must provide sufficient information to analyze results.	SBA and FS will continue to meet with each sponsor to remind them to include detailed information on the completion report in order to determine whether total monies collected were remitted.	Ongoing	Detailed fundraiser reports will be on file for every fundraiser. All accounts are reviewed and closed by June 15, 2017.
External exam procedures must comply with MCPS guidelines.	Principal, SBA and FS met with both testing coordinators to review the external exam fees memo. Reviewed the MCPS Exam Fee Waiver Tracking Table and Reimbursement Summary Report to ensure accurate data is documented. Reiterated that Total Registration's contract states that all fees must be made payable to them so account can be reconciled.	March 13, 2017 and Ongoing	Due June 9, 2017

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 123