


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

August 8, 2014

MEMORANDUM

To: Mrs. Mildred L. Charley-Greene, Principal
Northwood High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2013, through May 31, 2014

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

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 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.

In our meeting on July 8, 2014, with you, Ms. Claudette Smith, assistant principal, Ms. Thuy Trang Duong, business administrator, and Ms. Elizabeth Wilhelm, financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 27, 2013, and discussed further actions needed to strengthen the accountability for IAF resources. It should be noted that your appointment as principal was effective July 1, 2013. 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 statement for each month in which transactions have been recorded in their accounts, and be required to verify that transactions have been correctly recorded. We again found several sponsors did not return these statements. We recommend a procedure be established to ensure that sponsors review and resolve any discrepancies in their accounts and return the signed statements to the financial specialist (see MCPS Financial Manual, p. 20-9).

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-5). 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 IAF requirements. Invoices or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, must be submitted to the financial specialist. In our sample of disbursements, we again found invoices were not always signed by the purchaser to indicate satisfactory receipt. Some disbursements did not have adequate documentation to fully explain the reason for the expenditure. In addition, we found prior approval for purchases was not consistently obtained. We recommend conformity with MCPS purchasing requirements.

In order to properly control receipts, cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the financial specialist on the day they are received, accompanied by a completed MCPS Form 280-34, *MCPS Remittance Slip*. These receipts must be deposited promptly. As was previously reported, staff continued to hold funds rather than promptly remitting them to the financial specialist, staff sometimes submitted incomplete remittance slips, and deposits were not always made in a timely manner. To improve controls and minimize the risk of loss, all funds collected should be remitted daily for prompt deposit to the bank following procedures in the MCPS Financial Manual, pp. 7-3 through 7-5.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. We again found that completion report forms lacked a meaningful analysis of results. It was not possible to determine whether all sums collected were remitted to the financial specialist. Athletic fund-raisers were not recorded in the designated series of accounts, and some were conducted for the prohibited purpose of raising funds to purchase personal items retained by student athletes (see MCPS Financial Manual, p. 20-21). In addition, we noted fund-raisers that operated at a deficit. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal (and associate superintendent, when required), should be retained in the business office. The financial specialist should establish a separate account in the IAF for each trip to record all

related transactions. Sponsors should record student roster and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the financial specialist when a trip is completed (see MCPS Financial Manual, p. 20-10). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We again found that most field trip sponsors failed to use Form 280-41, making reconciliation of receipts difficult, and that trip approval forms were sometimes not on file in the business office. We recommend all sponsors be required to follow the procedures outlined above.

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, or increase service to the public. Smartphones, such as Blackberries or iPhones, have computer as well as telephone features, and as such are also subject to MCPS Regulation IGT-RA, *User Responsibilities for Computer Systems, Electronic Information, and Network Security*. We again noted that IAF funds were used to provide additional service to three employees with smartphones enrolled in a service plan that allowed each phone a high number of voice minutes, unlimited text messaging, and unlimited broadband data service that cost the school \$2,500 annually. Monthly invoices on file for this service consisted of only total charge summaries with no detail of usage. School administration was not routinely receiving detail from the service provider to analyze voice, text, or other data usage. We recommend that school administration review the issuance of school-owed phones to assure compliance with the above cited MCPS regulations, and that the equipment and service plan meets the goal of the school's educational and business purposes at the most cost-effective price. We further recommend that detailed invoices be obtained and reviewed for appropriate usage, fulfilling administrators' fiduciary responsibility to provide independent oversight of the use of student funds.

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. Final accounting for travel and other advances should be submitted by the employee within ten business days after completion of the activity for which the advance was provided (see MCPS Financial Manual, p. 10-4). We noted the frequent use of cash advances issued to staff for reimbursable purchases, most of which were not accounted for until two months after the advance checks were issued, and one lacked full expense documentation. We recommend that the school consider issuing purchasing cards to employees who receive frequent or large reimbursements. If a cash advance is necessary, we recommend prompt accounting to documenting the procurement as well as return of any unexpended funds.

In accordance with the April 16, 2012, memorandum from the chief operating officer (COO), the aggregate expenditure of general funds to provide refreshments for staff meetings and staff appreciation is limited to \$60 per staff full time equivalent (FTE) per fiscal year, unless approval to exceed the limit is obtained from the COO. The school exceeded this allowable amount for fiscal year 2014. We recommend adherence to the guidelines.

Negative balances in IAF accounts must be monitored and timely corrective action taken to eliminate such balances (see MCPS Financial Manual, p. 20-11). We noted that the staff development account carried a significant negative balance throughout the audit period. Amounts that were submitted for reimbursement, but found to be uncollectible, were not written off in a timely manner. The school had allowable non-student derived funds available from cell tower commissions. We recommend the prompt write-off of uncollectible balances. To aid in reconciliation, we suggest the use of a separate account for reimbursable staff development expenditures.

Booster clubs are not permitted to pass funds through a school IAF (see MCPS Financial Manual p. 20-16). We found that the athletic booster club was operated through the school's IAF and that accounting for activities did not conform to MCPS procedures and regulations. We noted that the food license for the concession stand was in the name of the Northwood High School Booster Club, and the applicant was not a school employee. The boosters held several fundraising activities and did not obtain the approval of the principal or follow prescribed accounting procedures. Athletic equipment purchases were recorded in booster accounts within the IAF, rather than as prescribed in the standard Chart of Accounts, thus circumventing procurement and reporting requirements for athletics. Personal items, including meals for the football team, were purchased for students, a practice that is prohibited by the Athletic Handbook. In addition, we noted a lack of analysis of activities or control over inventories of merchandise sold by the boosters, and that the school paid sales tax on sales of goods by the boosters. To conform with requirements of the MCPS Athletic Handbook, we recommend that all account activities of the boosters be removed from the school's IAF accounts. If these activities are to continue in the school's IAF, a school staff member must be appointed as the sponsor, and all activities must conform to MCPS procedures and regulations.

All procurement of goods and services must adhere to MCPS policies, regulations, and procedures. Athletic field maintenance services should be obtained by purchase order through the MCPS Financial Management System to ensure that vendors are approved and that MCPS purchasing procedures are followed. We found that rather than processing a purchase order, the school paid the vendor directly for field maintenance services. We recommend that the school adhere to MCPS procurement policies, regulations, and procedures.

The management of the yearbook activity must be in accordance with good business practices that include sound accounting procedures and internal controls (see MCPS Financial Manual, p. 20-1). The yearbook sponsor is required to keep detailed records of the number of books sold and the price charged, as well as the number of books distributed free of charge (see MCPS Financial Manual, p. 20-11). We initially could not account for approximately 50 books, but subsequently found that the number of books ordered had been reduced. A contract modification approved by the principal was not on file. In addition, the invoice paid did not reflect this reduction and the school overpaid the yearbook vendor by approximately \$2,500. We recommend that the yearbook sponsor be assisted with the record-keeping required for this activity. In addition, we recommend that the business staff establish a process to ensure that any

contract modifications are approved by the principal, and that the final bill is in accordance with the contract prior to releasing payment to the vendor.

Students may be charged course fees approved by the Office of School Support and Improvement for materials required for courses that are either consumed by the student or become the personal property of the student. However, students may not be charged for general instructional materials required to demonstrate mastery of course objectives (see April 28, 2009, memorandum from the Chief School Performance Officer). We noted balances accumulating in these accounts indicating that students had been charged more than necessary, and at the end of FY 2013, balances in course fee accounts were transferred to department accounts. During FY 2014, balances in some fee accounts again accumulated excess funds. We recommend that staff review student fee guidelines and more closely align approved fees assessed with the cost of materials to preclude accumulation of excess balances.

Summary of Recommendations

- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial agent (repeat);
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchase documentation must be adequate to support disbursements (repeat);
- Purchase requests must be approved by the principal prior to procurement;
- Funds collected must be promptly remitted by sponsors to the financial agent, using a completed MCPS Form 280-34, and promptly deposited in the bank (repeat);
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser* (repeat);
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip (repeat);
- Signed approval forms must be on file in the business office for all field trips (repeat);
- Cell phone equipment, issuance, and service levels should be reviewed to assure an educational or business necessity, met at a cost-effective price (repeat);
- Monthly cell phone invoices must be reviewed to assure usage is for the benefit of the school (repeat);
- Cash advances must be promptly accounted for and returned;

- Spending on staff refreshments and appreciation must adhere to the limit of \$60 per FTE;
- Staff development expenditures and reimbursements need timely reconciliation;
- Booster club activity must conform with MCPS regulations and procedures;
- Athletic field maintenance services should be purchased through the MCPS procurement system;
- Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, and ending inventory;
- Contract modifications must be signed by the principal or acting principal;
- Invoices must be reviewed to ensure compliance with contracts; and
- Course fees must be charged and used in accordance with fee guidelines.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Ms. Duong and Ms. Wilhelm. It should be noted that during the time period between our meeting on July 8th and publishing this report, you have apprised us that you have cancelled the cell phone accounts discussed above. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations / Independent Activity Funds*, please provide a response to the Internal Audit office within 30 days of this report, with a copy to Dr. Christopher S. Garran, associate superintendent of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:DKH:sd

Copy to:

Mr. Bowers
Dr. Navarro
Dr. Statham
Mr. Sanderson
Dr. Garran
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

AMJunk
9/16/14
Attachment

Fiscal Management Action Plan

School: Northwood High School

Principal: Mildred Charley Greene

Approved by community superintendent: 

Date of approval: 9/12/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial agent</p>	<p>Sponsors will continue to receive and return signed monthly reconciliation reports; protocol and procedures have been set regarding sponsors who do not comply with requests. The school financial specialist or business administrator will notify the principal regarding staff who are non-compliant. Consequences may include conference, a formal reprimand, or loss of sponsorship.</p>	<p>Ongoing As new sponsors are added during the school year, each sponsor will receive training and confirm via the training sign-in log.</p>	<p>Training in Northwood financial matters was attended by account sponsors on 8/21/14, 8/29/14 or 9/2/14 as indicated by the training sign-in log kept in the business office. In addition, staff were directed to the guidelines and necessary forms for financial matters in the Finance Office folder on T-shared.</p>
<p>Purchaser must confirm receipt of goods or services prior to disbursement. Purchase documentation must be adequate to support disbursements. Cash advances must be promptly accounted for and returned</p>	<p>Financial specialist will confirm with requestors for receipt of goods or services prior to disbursement. With pre-approval cash advance purchases, financial specialist will follow up to ensure requestors return receipts or change redeposit in a timely manner (five business days). All staff are expected to adhere to MCPS financial regulations. The school financial specialist or business administrator will notify the principal regarding staff who are non-compliant. Consequences may include conference, a formal reprimand, or loss of sponsorship.</p>	<p>Ongoing As new sponsors are added during the school year, each sponsor will receive training and confirm via the training sign-in log.</p>	<p>Training in Northwood financial matters was attended by account sponsors on 8/21/14, 8/29/14 or 9/2/14 as indicated by the training sign-in log kept in the business office. In addition, staff were directed to the guidelines and necessary forms for financial matters in the Finance Office folder on T-shared.</p>
<p>Purchase requests must be approved by the principal prior to procurement</p>	<p>All 280-54, Request for a Purchase, forms will have principal's signature prior to any purchases with a clear and concise explanation of purchase; all receipts/documentation of purchase satisfaction will be included in the</p>	<p>Ongoing As new sponsors are added during the school year,</p>	<p>Training in Northwood financial matters was attended by account sponsors on 8/21/14, 8/29/14 or 9/2/14 as indicated by the training sign-in log kept in the business</p>

<p>Funds collected must be promptly remitted by sponsors to the financial agent, using a completed MCPS Form 280-34, and promptly deposited in the bank</p>	<p>paperwork. All staff are expected to adhere to MCPS financial regulations. The school financial specialist or business administrator will notify the principal regarding staff who are non-compliant. Consequences may include conference, a formal reprimand, or loss of sponsorship. The Athletic Director has a pre-approved budget.</p>	<p>each sponsor will receive training and confirm via the training sign-in log</p>	<p>office. In addition, staff were directed to the guidelines and necessary forms for financial matters in the Finance Office folder on T-shared.</p>
<p>Funds collected must be promptly remitted by sponsors to the financial agent, using a completed MCPS Form 280-34, and promptly deposited in the bank</p>	<p>All monies collected by sponsors must be turned in daily to the business office using MCPS Form 280-34. The financial specialist will show due diligence in making daily deposit to the bank. All staff are expected to adhere to MCPS financial regulations. The school financial specialist or business administrator will notify the principal regarding staff who are non-compliant. Consequences may include conference, a formal reprimand, or loss of sponsorship.</p>	<p>Ongoing As new sponsors are added during the school year, each sponsor will receive training and confirm via the training sign-in log</p>	<p>Training in Northwood financial matters was attended by account sponsors on 8/21/14, 8/29/14 or 9/2/14 as indicated by the training sign-in log kept in the business office. In addition, staff were directed to the guidelines and necessary forms for financial matters in the Finance Office folder on T-shared.</p>
<p>Fund raising must conform to <i>Guidelines for Sponsoring an IAF Fund</i></p>	<p>Fund raising activities will be closely monitored by the school business administrator and financial specialist to ensure proper analysis of profit and loss. All staff are expected to adhere to MCPS financial regulations. The school financial specialist or business administrator will notify the principal regarding staff who are non-compliant. Consequences may include conference, a formal reprimand, loss of sponsorship, and is prohibited from participating in future fund raising events.</p>	<p>Ongoing As new sponsors are added during the school year, each sponsor will receive training and confirm via the training sign-in log</p>	<p>Training in Northwood financial matters was attended by account sponsors on 8/21/14, 8/29/14 or 9/2/14 as indicated by the training sign-in log kept in the business office. In addition, staff were directed to the guidelines and necessary forms for financial matters in the Finance Office folder on T-shared.</p>
<p>Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip; Signed approval forms must be on file in the business office</p>	<p>Teachers will be provided with a check list when planning a class field trip to ensure compliance with MCPS policies and procedures. Signed approval field trip forms will be on file in the business office in addition to the main office files. All staff are expected to</p>	<p>Ongoing As new sponsors are added during the school year, each sponsor will receive training and</p>	<p>Training in Northwood financial matters was attended by account sponsors on 8/21/14, 8/29/14 or 9/2/14 as indicated by the training sign-in log kept in the business office. In addition, staff were directed to the guidelines and</p>

for all field trips	adhere to MCPS financial regulations. The school financial specialist or business administrator will notify the principal regarding staff who are non-compliant. Consequences may include conference, a formal reprimand, loss of sponsorship, and is prohibited from participating in future field trip events.	confirm via the training sign-in log	necessary forms for financial matters in the Finance Office folder on T-shared.
Cell phone equipment, issuance, and service levels should be reviewed to assure an educational or business necessity, met at a cost-effective price; Monthly cell phone invoices must be reviewed to assure usage is for the benefit of the school	All lines have been cancelled.	September 2, 2014	Confirmed cancellation from Verizon September 2, 2014
Spending on staff refreshments and appreciation must adhere to the limit of \$60 per FTE	FY15 staff refreshments allocation has been adjusted to \$60 per FTE according to staffing allocation grid as of 8/1/14.	August 1, 2014	General ledger report balance as of August 1, 2014
Staff development expenditures and reimbursements need timely reconciliation	FY 15 staff development has been reconciled and split in to two different categories for better tracking of reconciliations. Account 0013.0000 is designated as school training funds and 0013.0001 as reimbursable training funds from other sources.	July 1, 2014	General ledger report balance as of July 31, 2014
Booster club activity must conform with MCPS regulations and procedures	The athletic club current sponsor is the Athletic Director.	July 1, 2014	General ledger report balance as of July 31, 2014
Athletic field maintenance services should be purchased through the MCPS procurement system	All FY15 athletic field maintenance will be done through FMS.	Ongoing	
Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, and ending inventory; Contract modifications must be signed by the principal or acting principal; Invoices must be reviewed to ensure compliance with contracts	Yearbook sponsor will provide the business office with a spreadsheet of names of students and methods of payment by end of each grading quarter. A reminder task bar will be sent. All modification of contracts will be signed by the principal and all invoices will be review for compliance. Sponsor is expected to adhere to MCPS financial regulations. The school financial specialist or business administrator	Ongoing	Sponsor attended the Northwood financial matters training on 8/29/14.

<p>Course fees must be charged and used in accordance with fee guidelines</p>	<p>will notify the principal if sponsor is non-compliant. Consequences may include conference, a formal reprimand, and loss of sponsorship.</p> <p>Course fees have been submitted to OSP for approval. Northwood is committed to providing all students, regardless of their economic circumstances, with full access to all courses, including the instructional materials required for those courses and the instructional program. A student, his/her parent or guardian, or any student advocate may request an adjustment to the course-related fee using MCPS form 260-1 Fee Waiver Record and submit to the business office. We will work with the parent and student with options that include a schedule of payments, a reduced fee, or a complete waiver.</p>	<p>Ongoing</p> <p>As new sponsors are added during the school year, each sponsor will receive training and confirm via the training sign-in log</p>	<p>Training in Northwood financial matters was attended by account sponsors on 8/21/14, 8/29/14 or 9/2/14 as indicated by the training sign-in log kept in the business office. In addition, staff were directed to the guidelines and necessary forms for financial matters in the Finance Office folder on T-shared.</p>
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Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.