


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

September 18, 2015

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
June 1, 2014 through July 31, 2015

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 September 4, 2015 with you, Ms. Sara Baudry, assistant principal, Mr. Delmer Padgett, assistant school administrator, Ms. Thuy Tran Duong, business administrator, and Ms. Elizabeth Wilhelm, financial specialist, we reviewed the status of the conditions described in our prior audit report dated August 8, 2014, and the status of present conditions. We commend you for the progress made correcting many of the conditions in the prior report to allow your focus of attention on several persistent issues. 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, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-4). 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 for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we again found prior approval was not consistently obtained when required, and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought. 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 financial specialist and revised if necessary.

With certain exceptions, any disbursement of more than \$7,500 or any contract with an anticipated aggregate expenditure of more than \$7,500 requires the prior written authorization of the chief operating officer. This applies to the cost of any single good or service as well as the total cost of a similar good or service procured multiple times during the same fiscal year. During our review of disbursements, we found the school had expended sums in excess of the limit to purchase field maintenance services without the required approval. Use of the approval process helps assure compliance with laws and regulations governing procurement. We recommend all field maintenance contracts be coordinated with MCPS Division of Procurement to assure approvals and controls are achieved (see MCPS Finance Manual, p. 20-5).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although the sponsors are submitting fund-raiser requests, we again found many are submitting them after an activity had already begun and the business administrator was approving them without written delegation of authority from the principal. We also noted that completion forms were being prepared at the end of the year instead of at the conclusion of the activity and the financial specialist was the only reviewer. Not all completion reports included the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to determine whether all sums collected were remitted to the financial specialist. 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.

Athletic booster clubs are organized groups of adults who provide financial and/or non-financial support for high school athletic programs. School-affiliated organizations such as booster clubs must follow school and MCPS guidelines and procedures. Additionally, booster clubs are not permitted to pass funds through a school IAF (see Financial Manual, p. 20-16). We again found that the athletic booster club was passing all funds through the school's IAF. To conform to requirements of the MCPS Athletic Handbook, we recommend that all account activities of the boosters be removed from the school's IAF accounts.

Students may be charged course fees approved by the Office of School Support and Improvement for materials required for a course 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 again noted balances accumulating in a few accounts indicating that either students had been charged more than necessary or allowed expenditures were not being charged to these accounts. Some of the excess funds were transferred to the department account. 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

- Purchase requests must be approved by the principal prior to procurement (repeat);
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchases over \$7,500, with certain exceptions, must have the Chief Operating Officers approval;
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser* (repeat);
- Athletic booster clubs are not permitted to pass funds through school IAF (repeat); and
- Course fees should be commensurate with course expenses (repeat).

Other matters were discussed and satisfactorily resolved. We appreciated 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 office within 30 days of this report, with a copy to Dr. Darryl L. Williams, associate superintendent of secondary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Williams
Mrs. Chen
Mrs. DeGraba
Mr. Lowndes
Mrs. Milwit

Fiscal Management Action Plan

School: Northwood High School

Principal: Mildred Charley Greene

Approved by community superintendent: _____

Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Purchase requests must be approved by the principal prior to procurement</p>	<p>All 280-54, <i>Request for a Purchase</i>, 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 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 probation, a formal reprimand, or loss of sponsorship.</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 8/27/15 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. A memo was issued from the principal dated 9/14/15 authorizing administrative staff to have standing approval of purchase prior to submitting MCPS form 280-54.</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 probation, a formal reprimand, or loss of sponsorship.</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 8/27/15 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>Purchases over \$7,500, with certain exceptions, must have COO approval</p>	<p>Of note: Northwood canceled a contract with Brickman in favor of staff/volunteer field maintenance. The individual amounts were the result of unexpected needs due the unavailability of staff/volunteers to complete</p>	<p>Completed</p>	<p>Athletic Director will procure a fiscal year quote of field maintenance for COO approval and amount will be encumbered through FMS.</p>

<p>Fund raising must conform to <i>Guidelines for Sponsoring an IAF Fund</i></p>	<p>the tasks. Moving forward, all purchases over \$7,500, with certain exceptions, will go through the MCPS approval process set by the COO office, and all purchases will be encumbered through FMS.</p>		
<p>Athletic booster clubs are not permitted to pass funds through school IAF</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 probation, a formal reprimand, loss of sponsorship, and is prohibited from participating in future fund raising events.</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 8/27/15 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. A memo was issued from the principal appointing an assistant principal to be an additional fundraising approver dated 8/24/15.</p>
<p>Course fees should be commensurate with course expenses</p>	<p>Per Audit of IAF report, dated 8/8/14, it was recommended that if such activity is to be continued in the school IAF, a school staff member must be appointed as the sponsor, and all activities must conform to MCPS procedures and regulations. The athletic booster club has been restructured to align with the recommendations of the current audit.</p>	<p>Completed</p> <p>August 1, 2014</p> <p>October 10, 2014</p>	<p>Marco Fuggitti, athletic director, assumed the role of the Athletic Club sponsor and is responsible for maintaining and staying in compliance with MCPS procedures and regulations. This was the recommendation of 8/8/14 audit. MCDHHS Licensure and Regulatory Services has reissued the Food Service License to the Kaplan Stadium Concession as Northwood High School Athletic Club. Per this audit recommendation, the Athletic Booster Club is being restructured.</p>
	<p>Course fees have been submitted to OSSI for approval. Teachers with course related fees were directed that all fees collected must be expended by November 30, for first semester and by the third quarter of school year for second semester. Principal will provide additional financial support to courses that have</p>	<p>Completed</p>	<p>Choral fees will be expended upon receiving invoice for cleaning of performing dresses and tux; Photography fees and Digital Art fees collected during FY15 will either be applied to outstanding obligations, refunded, or donated to Northwood</p>

	<p>not collected all fees from students to cover cost of consumable materials.</p>	<p>per parent/guidance permission. A letter was sent to each student's family on record that paid fees during FY15. Responses to parent requests for refunds have been initiated.</p> <p>FY16 Course Fees were made available online through MCPS Online School Payment to facilitate parent payments and teachers' collection process. An email was sent to applicable teachers on October 8, 2015, as first notice that first semester fees monies are to be expended or encumbered by November 30, 2015, with the exception of uniform cleaning fees. Uniform cleaning fees will have until the second week of second semester to be expended or encumbered.</p>
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Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.