

Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 16, 2017

MEMORANDUM

To: Mr. William M. Gregory, Principal  
Sherwood High School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
February 1, 2015, through February 28, 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 and are 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 June 1, 2017 meeting, with you, Mrs. Linda E. Berkheimer, school business administrator; and Mrs. Cynthia A. Saul, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated April 30, 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

In order to properly control funds, cash and checks collected by sponsors for IAF activities should be remitted promptly with MCPS Form 280-34: *Independent Activity Fund Remittance Slip*, to the school financial specialist. The funds should then be counted in the presence of the

remitter, and a receipt that is supported by MCPS Form 280-34 should be issued promptly. We found instances in which funds were held by sponsors rather than remitted on a daily basis. We recommend that all staff who collect cash and checks for school activities be reminded to remit these funds promptly to the school financial specialist for prompt deposit in the bank (refer to *MCPS Financial Manual*, chapter 7, page 4).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We noted that some fund-raisers incurred losses that had not been explained, several lacked documentation to account for salable items that had been donated to the school, and some of the items were given away at no cost without written justification to do so. Contributions to charitable organizations are prohibited unless funds have been raised by students for a specific charity and advertised as such. We did not find documentation on file to support a charitable contribution. We recommend following the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser* that provides internal control procedures for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity (refer to *MCPS Financial Manual*, chapter 20, pp. 12 - 13).

Control over the yearbook activity needs improvement. Only the principal or acting principal may obligate the school by contract for goods or services. We observed that the contract for the 2017 yearbook had been amended without the written approval of the principal. In addition, the sponsor must maintain a detailed record of student names to whom the books were sold and the amount each one paid, and prepare a statement of profit or loss which reconciles books purchased with books distributed. We did not find detailed sales records on file in the business office, and our analysis of MCPS Form 281-25: *Statement of Profit or Loss on Sale of Merchandise*, found that the school had not included online sales activity and had not adjusted for a credit that related to the prior year. As a result, the profit was overstated by approximately \$10,000. We recommend that the principal approves any amendment to the yearbook contract and that the sponsor maintains sufficient documentation to account for all activity transactions (refer to *MCPS Financial Manual*, chapter 20, pp. 7 and 14).

Sponsors of field trips should record cost and fee information for each field trip on MCPS Form 280-41: *Field Trip Accounting*, or equivalent, and submit the data to the school financial specialist when a trip is completed (refer to *MCPS Financial Manual*, chapter 20, page 10). The record of the names of participants and funds collected submitted by the sponsor strengthens internal controls by enabling the reconciliation of these funds to the amounts recorded in the field trip account. Review of field trip activities revealed that not all field trip sponsors are providing completed financial information to the school financial specialist at the conclusion of a trip. Some trips were missing data such as dates or amounts paid, and although staff was correctly calculating the per student cost, students were sometimes charged an amount other than the calculated cost. We recommend all sponsors be required to use MCPS Form 280-41, or equivalent, and include all data as outlined above.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides procedures for the accounting for sales of admission tickets. While we found receipts from most events were properly controlled, tickets for the prom were delivered directly to the event sponsor, rather than

to the designated ticket controller. This effectively eliminated the vital control that results from having all tickets distributed by a ticket controller who is independent of the event sponsor. Also, we noted that ticket reports for homecoming were signed by a parent as the admissions manager. Sponsors of school events where ticket sales activities may include individual student payment or obligation records must be a current school staff member. We recommend that admission to all events be controlled in accordance with the above-cited regulation.

The chief operating officer provided guidelines to high school principals for management and accounting for external exam fees paid for students who are eligible for waivers and fee reductions (see attached memorandum). We found a lack of adherence to these guidelines. The monitoring spreadsheet used by the testing coordinator did not meet MCPS requirements and had not been submitted to the financial office for reconciliation. In addition, we found that the sponsor had collected approximately \$5,000 more than expected, based on the number of exams invoiced that were adjusted for waivers. After analysis of activity and discussion with the coordinator, we determined that some students who received full waivers had paid various partial fees to the school. In addition, we noted that some students paid late fees to the school, but had not been assessed late fees by the College Board. We recommend that you work with staff to ensure that procedures are in place to effectively manage external exam activities, and to ensure that fees are assessed only for amounts due to the College Board.

#### Summary of Recommendations

- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial agent (**repeat**).
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Fund Raiser*.
- Yearbook contract amendments must be approved by the principal.
- Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, ending inventory, and profit or loss.
- 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.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.
- The external exam coordinator must maintain accurate student fee collection records and submit to financial staff for reconciliation to the general ledger.

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 through Mr. Kevin E. Lowndes, 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:DKH:lsh

Mr. William M. Gregory

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June 16, 2017

Attachment

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. Lowndes

Mr. Tallur

Mr. Ikheloa

Fiscal Management Action Plan

School: Sherwood High School

Principal: William M. Gregory

Approved by associate superintendent:

Date of approval: 8-14-17

*Gregory*  
6/21/17

*Phillips*

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial agent.	Training for all IAF sponsors is provided during the August professional days. The training will be conducted by Mrs. Berkheimer, Business Administrator and Mrs. Saul, Financial Specialist. We will review again with the sponsors the importance of making daily deposits. Account Sponsors will receive a "Money Matters" guide that provides written instructions for handling funds and making deposits. Sponsors will also be reminded of the after-hours deposit safe for them to make daily-timely deposits. Account sponsors can also encourage parents and students to use the Online School Payment program.	6/19-9/1/17	Money Matters will be updated and printed for the sponsors meeting in August.
Fund-raising must conform to Guidelines for Sponsoring an IAF Fund Raiser.	For future fund-raisers we will have the sponsors specify on the Fundraiser Request Form and flyers if they will be donating any of the funds to a charity. Sponsors will also be asked if they will be donating any left-over salable items. Usually, items are given away because the item is time sensitive, and will not be able to be re-sold in the future.	6/19/17	Fundraiser forms will be reviewed with the sponsor before they are approved, and check for inventory at the close of the fundraiser.
Yearbook contract amendments must be approved by the principal.	Any future amendments to the yearbook contract will be approved by the principal.	6/19/17	The yearbook sponsor was informed to contact the Business Office if any changes are needed to be made to the contract to arrange for the principal's signature.
Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, ending inventory, and profit or loss.	The Business Office is working with the yearbook sponsor to collect/maintain records of yearbooks sold.	6/19/17	The yearbook sponsor is collecting records and giving the Business Office a copy.
Field trip records prepared by sponsors must provide comprehensive data to account	Most field trip sponsors do keep excellent records and turn them in after the field trip is over. We will remind sponsors again at the August training	6/19/17	Sponsors will be reminded at the August training to account for all eligible students, and will be asked to

<p>for all students eligible to participate, and to reconcile funds collected with costs of the trip.</p>	<p>to account for all eligible students.</p>	<p>provide records. This will also be reviewed when with sponsors when they request a field trip.</p>
<p>Admission events must be conducted in accordance with MCPS Regulation DMB-RA.</p>	<p>The Business Office will have sponsors order tickets for future events delivered directly to the Business Office. Any ticket sales will be conducted by a current school staff member.</p>	<p>This has been reviewed with the Homecoming sponsor, and will be reviewed with any future event sponsor that order tickets.</p>
<p>The external exam coordinator must maintain accurate student fee collection records and submit to financial staff for reconciliation to the general ledger.</p>	<p>The Business Office is working with a new AP Exam coordinator to ensure that records in the future are recorded correctly and a copy is given to the Business Office for reconciliation.</p>	<p>The Business Office has met with the new AP Exam sponsor to ensure that records are recorded correctly for the upcoming school year.</p>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, URSC suite 3380