


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

June 6, 2018

MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2017, through March 31, 2018

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. School 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 May 30, 2018, 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 June 16, 2017, 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

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 request and completion reports, and all reports are signed by the business manager and you, not all forms were properly completed so that results could be evaluated. Fund-raiser request forms need to indicate cost and

sales price of items being sold and a flyer should be attached if proceeds will benefit a charity. A completion report for an activity involving the sale of items should include the total number of items for sale, selling prices, and any remaining inventories to determine whether all funds collected were remitted to the school financial specialist. If students are given a product to sell, there needs to be accountability of number of items issued, returned unsold, and funds remitted. We recommend following the internal control procedures contained in the above referenced guidelines to provide for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity.

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 (refer to March 23, 2017, memorandum, *ACTION—Update on External Exam Fee Reductions/Waivers for Fiscal Year 2017*). We found a lack of adherence to these guidelines for Fiscal Year 2017. The monitoring spreadsheet used by the testing coordinator had not been submitted to the financial office for reconciliation. In addition, we found that the sponsor had collected approximately \$1,338 more than expected, based on the number of exams invoiced that were adjusted for waivers. After analysis of activity, we determined that some students paid late fees to the school, but had not been assessed late fees by the College Board. We also noted that students who paid full price were only issued a partial refund. 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

- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser (repeat)*.
- The external exam coordinator must maintain accurate student fee collection records and submit to financial staff for reconciliation to the general ledger (**repeat**).

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*, using the attached form, please provide a written response to the Internal Audit Unit within 30 calendar days of this report. In your response, please share a detailed plan for addressing these issues, including appropriate staff training and support.

Prior to returning your completed audit action plan, please contact Mrs. Michelle Schultze, director of school support and improvement of secondary schools. Based on the audit recommendations, Mrs. Schultze will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial agent to support you with developing a well-defined plan to address the findings.

RWP:MJB:lsh

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

Mrs. Schultze

Mr. Tallur

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY 17-18	Fiscal Year: FY 17-18
School: Sherwood HS - 503	Principal: William M. Gregory
OSSI Associate Superintendent:	OSSI Director:
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>3/1/17-3/31/18</u>, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Train teachers with procedures including - completing new fundraiser request form, attachments of flyers if appropriate, reconciliation of account if students sell products.	C. Saul - FS L. Berkheimer - SBA	New Form Money Matters - Sponsor Manual	Presentation by SBA in August Sponsors sign off that they went to August training	FS and SBA will make sure sponsors complete new form when requesting fundraiser	Expect all sponsors to adhere to policy. Monitor monthly and address issues with sponsors if they arise.
Review each fundraiser upon completion.	FS, SBA and Principal	Flyers/account ability records when appropriate	Fundraiser forms with SBA and Principal signatures	FS and SBA will review accounts during activity and before closing account	Expect all fundraisers will meet deadlines and guidelines identified in the audit.
Meet with AP sponsors - review policy and reconcile fees for FY 17-18	FS and SBA		FY18 Total Registration is being used - All AP payments were made online to Total Registration	FS and SBA will meet with sponsors before, during and after AP Exams	Completed 6/7/18 and we reconciled.
Meet with AP coordinator in the fall for a registration plan. Meet at the beginning of AP testing and at the close of AP testing, to ensure procedures are followed and reconciled	FS, SBA, AP Coordinator, and Principal	Registration AP Plan MCPS directives for test administration	Notes of Fall meeting and testing meetings.	Meetings	Expect all policies will be followed.


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OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL

Approved

 Please revise and resubmit plan by _____

Comments:

Director: 

 Date: 6-13-18