


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 10, 2017

MEMORANDUM

To: Dr. Arthur Williams, Principal
Springbrook High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2015, through December 31, 2016

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 February 3, 2017, with you, Mrs. Mary M. Neumann, school business administrator, and Mrs. Melinda J. Larson, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated December 14, 2015, and the status of present conditions. We commend you and your staff for the efforts made to address and resolve many of these issues. 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

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist. Cash should be counted in the presence of the purchaser, and a receipt that is supported by MCPS Form 280-34: *Independent Activity Fund (IAF) Remittance Slip*, should be issued promptly. Remittances received should, in turn, be promptly deposited into the school's bank account. We found instances in which funds were held by sponsors rather than remitted to school financial specialist on a daily basis. In addition, the funds remitted were not always promptly deposited into the school's bank account. Large and infrequent deposits increase the possibility of loss of funds as well as decrease the school's ability to fund activities. To minimize the risk of loss and provide availability of funds to meet school needs, all funds collected should be remitted to the school financial specialist daily for prompt deposit (refer to *MCPS Financial Manual*, chapter 7, page 4).

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 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. In our sample of disbursements, we found that prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditure and signed by the principal at the time verbal approval is sought. Certain sponsors would benefit from having 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 business office and revised if necessary.

Aggregate school expenditures of general funds for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year without the prior written authorization from the chief operating officer (COO) (refer to *MCPS Financial Manual*, chapter 20, page 5). These expenditures must be appropriately recorded in accordance with the IAF chart of accounts. We found that you exceeded the total amount allowed in FY 2016 without approval of the COO. We also found instances in which expenditures for these items were incorrectly classified and recorded in various accounts. Such commingling increases the time required to determine whether or not guidelines have been followed and decreases the value of your financial reports for decision making. We recommend that you adhere to the MCPS requirements as well as correctly classify and record these transactions for more accurate accountability.

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 school business administrator and you, we found that most forms were not properly completed in order to evaluate the results. A completion report for an activity involving the sale of items should include the total number of items for sale and cost of each, selling prices, and any remaining inventories 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.

In accordance with the attached September 25, 2014, memorandum from the chief operating officer (COO), *Regulatory Change Regarding Foods and Beverages Sold to Students During the School Day*, no foods or beverages can be sold between 12:01 a.m. and 30 minutes after the official end of the school day that do not meet the Maryland Nutrition Standards. We found that soda and other noncompliant items were sold at the school store during lunch to students. In accordance with MCPS Regulation JPG-RA, *Wellness: Physical and Nutritional Health*, food and beverages available for sale to students outside of the school meal program should make a positive contribution to the students' diet and promote health. We recommend compliance with MCPS Regulation JPG-RA as well as the guidelines in the September 25, 2014, memorandum from the COO.

Summary of Recommendations

- Funds collected by sponsors must be promptly remitted to the school financial specialist **(repeat)**.
- Funds remitted by sponsors must be promptly verified, receipted, and deposited in the bank by the school financial specialist.
- Purchase requests must be approved by the principal prior to procurement.
- Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO.
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results **(repeat)**.
- Food and beverage items available to students outside the school meals program must comply with MCPS Regulation JPG-RA.

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. 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: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
Mr. Lowndes
Mr. Tallur
Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: Springbrook High School

Principal: Dr. Arthur Williams *AW*

Fiscal Year: 2017

Associate Superintendent: Dr. Darryl Williams

Director: Mr. Kevin Lowndes

Strategic Improvement Focus:

As noted in the financial audit for the period 9/1/15-12/31/16, strategic improvements are required in the following business processes :

- Remittance of Funds
- Prior approval of purchases
- Exceeded Staff Spending Allocation

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
All staff will be reminded of remittance requirements	Mary M. Neumann Melinda Larson	Financial Manual	Ongoing remittances	Melinda Larson Daily	Accounting Procedures/Guidelines sent to all staff collecting funds.
School Store: Principal and Business Administrator met with AD to ensure all guidelines are adhered to. We are working with a new supplier to ensure all items meet nutritional guidelines.	Dan Feher	Nutritional Guidelines	Ongoing check of products ordered	Mary M. Neumann Melinda Larson Ongoing	Non-compliant items will not be sold. AD will count money including coins in a timely manner
Expenditures for refreshments in connection with meetings and staff appreciation will not exceed \$60 full time equivalent per fiscal year.	Dr, Arthur Williams	Financial Manual	Ongoing	Mary M. Neumann Ongoing	We will adhere to the guidelines set forth in the financial manual p. 20-5.
Fundraisers: Internal controls will be put in place to ensure all FRs are approved by principal and all reports will be prepared prior to final expenses being paid.	Activity Sponsors	Financial Manual	Ongoing	Mary M. Neumann Ongoing	Results will be evaluated at the conclusion of each fundraiser.

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

☒ Approved

☐ Please revise and resubmit plan by _____

Comments: _____

Director: _____

Date: 3/13/17