


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

June 6, 2018

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  
January 1, 2017, through February 28, 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 meeting on May 16, 2018, 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 February 10, 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

As part of the IAF fiscal year end closing process for School Funds Online (SFO), accounts with no transactions recorded during the year should be closed and inactivated at the start of the next fiscal year. The principal also shall investigate to determine the cause of any negative balance

accounts (refer to *MCPS Financial Manual*, chapter 20, page 12). In our review of records as of June 30 for the previous fiscal year end, we noted SFO accounts with negative balances, accounts with balances but no transactions recorded for several fiscal years, and accounts with neither balances nor transactions recorded that are included as active accounts in SFO. We recommend eliminating the IAF negative account balances that have no expectation of additional remittances, transferring balances from dormant accounts to other active appropriate accounts, and inactivating accounts with no balances and no expected future activity.

Internal controls are steps taken to ensure that the IAF underlying data and assets are complete, reliable, and protected. Several of these steps include confirming that all checks issued bear two signatures, one of which must be that of the principal, an IAF activity sponsor is a staff member who has received the principal's approval to plan and execute an event for students, and whether or not a vendor's name already exists in SFO prior to creating a new record for making disbursements (refer to *MCPS Financial Manual*, chapter 20, pp. 2 and 6). We noted that several checks were written without the required two signatures, a non-MCPS staff member was a sponsor on an IAF activity account, and disbursements made to the same vendors utilizing different records that varied the spelling of the vendors' names in SFO. We recommend safeguarding the IAF data and assets by obtaining two authorized signatures on all checks, assigning only staff members as activity sponsors, and taking care to not create multiple vendor records for the same vendor in SFO.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the school financial specialist. Remittances received should, in turn, be promptly deposited into the school's bank account (refer to *MCPS Financial Manual*, chapter 7, page 4). We found instances in which funds were held by sponsors rather than remitted to the school financial specialist on a daily basis. 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, we recommend that all funds collected should be remitted to the school financial specialist daily for prompt deposit.

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. Although we noted progress made in reducing the number of noncompliant items since our prior report, we found a few noncompliant items still being sold at the school store during lunch to students. We recommend full compliance with MCPS Regulation JPG-RA.

All fund-raisers require principal approval on the school's Request for Fund-raiser form and analysis of the activity on the Fund-raiser Completion Report (refer to *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*). We noted that the completion reports were prepared and signed, but the final outcome of the fund-raiser was not always analyzed with explanations for losses. An online fund-raiser conducted by the athletic boosters did not follow the instructions per memorandum jointly issued by the deputy superintendent of school support and improvement, general counsel, and chief financial officer (refer to *Guidelines for Crowd-funding and Other*



*Online Fundraising*, September 14, 2017). We recommend following the guidelines related to fund-raisers in order to evaluate results for informed decisions regarding future fund-raisers.

Through October 18, 2017, schools could apply for and accept small grants that do not exceed \$20,000, and report receipt of the funds to the Internal Audit Unit (IAU) by completing MCPS Form 280-71A, *Information on School-Based Small Grant Award* (refer to *MCPS Financial Manual*, chapter 11, page 5). The IAU did not receive any MCPS Form 280-71A to acknowledge the \$15,000 your school received from the Nora Roberts Foundation during the time period of this audit. Effective October 19, 2017, MCPS Form 280-71A was replaced by MCPS Form 280-60, *Authorization for School Grant Application*. We recommend compliance with MCPS requirements for the application and reporting of grants.

#### Summary of Recommendations

- Review IAF account balances and activity to take appropriate action as part of the year-end process.
- Internal control processes must ensure that IAF underlying data and assets are complete, reliable, and protected.
- Funds must be remitted promptly by sponsors and verified, receipted, and promptly deposited in the bank by the school financial specialist (**repeat**).
- Food and beverage items available to students outside the school meals program must comply with MCPS Regulation JPG-RA (**repeat**).
- Fund-raisers must comply with MCPS instructions and completion reports prepared by sponsors must provide sufficient information to analyze results (**repeat**).
- Grant application and reporting must comply with MCPS requirements.

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 E. Schultze, director of school support and improvement of high 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:KMH:lsh

Attachments

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

**School:** Springbrook High School

**Principal:** Dr. Arthur Williams

**Fiscal Year:** 2018

**Associate Superintendent:** Dr. Darryl Williams

**Director:**  
**Ms.**  
**Michelle**  
**Schultze**

### **Strategic Improvement Focus:**

As noted in the financial audit for the period 1/1/17 – 2/28/18, strategic improvements are required in the following business processes :

- Remittance of Funds
- School store selling compliant items
- No online fundraisers conducted by boosters
- Fundraisers will be further analyzed for unsold items

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Accounts with no transactions recorded during the school year will be closed 6/30/18 and inactivated. Also, negative balances will be looked into.	Melinda Larson, Mary Neumann	Financial Manual	Check all accounts at end of fiscal year	Melinda Larson, Mary Neumann  End of fiscal year	Negative balances will be made positive and accounts with no activity will be closed
Ensure there are 2 signatures on every check. Full time staff only will be sponsors. Vendors will be checked in school funds online to be sure there is not a duplicate vendor.	Melinda Larson	Financial Manual, SFO vendors	Ongoing review of checks to be sure there are 2 signatures. Vendors will be checked in SFO to be sure there is not a duplicate vendor. Only full time staff will be sponsors of activities.	Melinda Larson	Checks reviewed, vendors will not be duplicated and sponsors will be full time staff.

## FINANCIAL MANAGEMENT ACTION PLAN

<b>School:</b> Springbrook High School		<b>Principal:</b> Dr. Arthur Williams		<b>Fiscal Year:</b> 2018	
Remittances will be turned in daily.	All activity sponsors	Financial Manual	Ongoing	Melinda Larson Ongoing	Accounting procedures/guidelines will be sent to all activity sponsors
School Store: AD was given a letter to sign indicating that he will only sell compliant items.	Dan Feher	Nutritional Guidelines	Ongoing	Mary M. Neumann Ongoing	Non-complaint items will not be sold in school store. Also, met with Erin Kvach from food services who is Supervisor of Special Programs and Training to further discuss complaint food items.
Fundraisers: Reports will be analyzed with explanations for losses Online fundraisers will not be conducted by boosters	Mary M. Neumann  Dan Feher	Financial Manual	Ongoing	Mary M. Neumann	AD will be given a letter indicating that no online fundraisers will be conducted even by the boosters. FRs will be analyzed further.



# FINANCIAL MANAGEMENT ACTION PLAN

School: Springbrook High School		Principal: Dr. Arthur Williams		Fiscal Year: 2018	
Grants: Form 280-60 was submitted and approved.	Mary M. Neumann	Information on School Based Small Grant Award	Annually	Mary M. Neumann	Form 280-60 was submitted and approved
Meet with booster clubs and all coaches at beginning school year to review MCPS policies and procedures	Mary M. Neumann Dan Feher	Financial Manual	Ongoing	Dan Feher Mary M. Neumann	Meetings will be held at the beginning of the school year for booster clubs and coaches each season. A memo of understanding will be signed by all parties to indicate that procedures will be followed..
Meet with ILT during leadership week; do presentation during pre-service week; meet with all sponsors who plan to do field trip and/or fundraisers to review MCPS policies and procedures.	Mary M. Neumann	Audit Findings Financial Manual	Annually	All activity sponsors	Letter will be signed by all sponsors indicating that they understand and will adhere to policies and procedures.

## FINANCIAL MANAGEMENT ACTION PLAN

**School:** Springbrook High School

**Principal:** Dr. Arthur Williams

**Fiscal Year:** 2018


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

☒ **Approved**      ☐ Please revise and resubmit plan by \_\_\_\_\_

Comments: \_\_\_\_\_

Director: \_\_\_\_\_

Date: 6-22-18