


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 5, 2019

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
March 1, 2018, through February 28, 2019

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 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 the IAFs are administered in accordance with Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 any significant errors or omissions in the financial records are detected.

At our March 26, 2019, meeting 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 June 6, 2018, 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

Authorization to procure goods or services using IAF is granted by the principal via MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, memorandum, budget, or purchasing card. If an approved amount in a memorandum or budget will be exceeded, MCPS Form 280-54 is used to obtain principal approval to proceed with the purchase (refer to *MCPS Financial Manual*, chapter 20, page 4). The purpose of each disbursement must be fully explained on MCPS

Form 280-54 in order to properly record expenditures in appropriate accounts and to ensure that expenditures comply with IAF requirements. In our sample of disbursements, 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 with an estimate of expected expenditure by staff and signed by the principal, or school business administrator, 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 school financial specialist to determine if spending is within the approved budgeted amounts.

To minimize the risk of loss, cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the school financial specialist. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (refer to *MCPS Financial Manual*, Chapter 7, pp. 4-5). To improve internal controls, we recommend staff be encouraged to submit cash and checks collected for IAF activities to the school financial specialist for prompt deposit in accordance with MCPS policy and procedures. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the school financial specialist. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter.

Summary of Recommendations

- Purchase requests and those over previously authorized allowable limits must be approved by the principal prior to procurement.
- Cash and checks collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school financial specialist (**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 Dr. Mary Jane Q. Ennis, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Ennis 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 agents 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

Mrs. Morris

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Ennis

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: April 5, 2019	Fiscal Year: April 5, 2019
School: Springbrook HS - 798	Principal: Dr. Arthur Williams
OSSI Associate Superintendent: Mrs. Diane D. Morris	OSSI Director: Dr. Jane Q. Ennis
<u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>3/1/18 to 2/28/19</u> , strategic improvements are required in the following business processes :	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Purchase requests and those over previously authorized allowable limits must be approved by the principal prior to procurement.	Mary Neumann Melinda Larson	Internal Authorization Guidelines Financial Manual	Guidelines monitored daily Refer to Financial Manual when clarification needed	Melinda Larson Daily	Review of Account Procedures/Guidelines Ongoing Education for Staff Awareness and Budget Review
Cash and checks collected by sponsors must be promptly remitted with MCPS Form 280-34 to the school financial specialist.	Melinda Larson	Financial Manual	Monitor Daily remittances to make sure they are being deposited in a timely manner by Sponsors. Daily Reports	Melinda Larson Daily	Accounting Procedures and Guidelines need to be reviewed with all Sponsors. Fund collection monitored closely by reviewing dates.

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

☒ **Approved**

☐ Please revise and resubmit plan by _____

Comments: _____

Director: _____

Date: _____

5/2/19