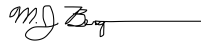


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

December 09, 2020

MEMORANDUM

To: Dr. Arthur Williams, Principal  
Springbrook High School

From: Mary J. Bergstresser, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period  
March 1, 2019, through September 30, 2020

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 and 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 November 20, 2020, virtual meeting with you; Mrs. Susan E. Katz, school business administrator and Mrs. Melinda J. Larson, school financial specialist, we reviewed the prior audit report dated April 5, 2019, 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 the *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 activities. We recommend that MCPS Form 280-54 be prepared with an estimate of expected expenditures by staff and signed by the principal, or designee, at the time verbal approval is sought. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining principal approval at the beginning of the school year. These budgets must be monitored by the 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 must 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 the *MCPS Financial Manual*, chapter 7, pp. 4-5). To improve internal controls, we recommend staff be reminded to always 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.

All commissions received for pictures need to be initially recorded in account 0110.0000 Student Pictures Comm. Having one account supports financial staff monitoring picture commissions to ensure all commissions due are received based on the contract. Transfers can be done to accounts that should benefit from the commissions such as senior class or athletics. Annual commission summary reports, when not provided, must be requested as part of the monitoring process.

#### Notice of Findings and Recommendations

- Purchase requests and those over previously authorized allowable limits must be approved by the principal prior to procurement (**repeat**).
- Cash and checks collected by sponsors must be promptly remitted with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the school financial specialist (**repeat**).
- All picture commission must be recorded in account 0110.0000.

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. Jane Q. Ennis, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools. 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 business administrator to support you with developing a well-defined plan to address the findings.

MJB:RCM:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mrs. Williams

Mrs. Morris

Mrs. Camp

Mrs. Chen

Dr. Ennis

Mr. Marella

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN	
<b>Report Date:</b>	<b>Fiscal Year:</b>
<b>School:</b>	<b>Principal:</b>
<b>OTLS Associate Superintendent:</b>	<b>OTLS Director:</b>
<p><b><u>Strategic Improvement Focus:</u></b></p> <p>As noted in the financial audit for the period _____, 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

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

**OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL**

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

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

Director:           *Jane Q. Ennis*                Date: \_\_\_\_\_