


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

July 5, 2017

MEMORANDUM

To: Ms. Carol L. Goddard, Principal  
Watkins Mill High School

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

Subject: Report on Audit of Independent Activity Funds for the Period  
March 1, 2016, through April 30, 2017

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 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 June 6, 2017, meeting with you, Mrs. Julia A. Broyles, school business administrator, and Miss Lisa A. Holderman, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 15, 2016, 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

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 Fiscal Year 2017, without the approval of the COO. We also found instances in which expenditures for these items were incorrectly classified and recorded in various accounts that were not in accordance with the IAF chart of accounts. Such inaccurate recording 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 COO guidelines for staff appreciation and meeting refreshment expenditures as well as record the related transactions in accordance with the IAF chart of accounts.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted intact with MCPS Form 280-34: *Remittance Slip*, to the school financial specialist on the day the funds are received. The school financial specialist should count the funds received in the presence of the purchaser, issue a receipt, restrictively endorse any checks “for deposit only,” and promptly deposit the funds in the school’s bank account. Funds not promptly remitted and deposited become susceptible to loss or theft, and are not available to disburse from the school’s checking account to pay for school requirements. We found instances in which staff collecting funds for school activities held rather than remitting them promptly to the school financial specialist. We also found that the school financial specialist was not always making timely deposits. We recommend that all staff who collect cash and checks for school activities be reminded to remit these funds promptly to the school financial specialist for prompt deposit in the bank (refer to *MCPS Financial Manual*, chapter 7, page 4).

The *Handbook for the Operation of School Stores* provides instruction and guidance for the operation of MCPS school stores, including internal controls for cash (refer to *Handbook for the Operation of School Stores*, pp. 6-7). We found that the required controls were not in place, noting an accumulation of revenue in the form of coins that were not being remitted to the school financial specialist. We also found that the store sells school spirit wear and athletic clothing. We recommend that all athletic clothing be recorded in the proper athletic accounts so it can be included in the annual athletic report. We further noted that the school clothing sales have lost money for the past two years, and it appears that there is a large inventory of obsolete items. We recommend all revenue to include coins be remitted to the school financial specialist, and that you develop a plan to dispose of obsolete items.

In accordance with MCPS Regulation JPG-RA, *Wellness: Physical and Nutritional Health*, fund-raisers on school property that sell food items during the period from 12:01 a.m. until 30 minutes after the end of an instructional day must meet the nutritional requirements set forth in this regulation. The September 25, 2014, memorandum from then chief operating officer (COO), *Regulatory Change Regarding Foods and Beverages Sold to Students During the School Day*, states that no commercial pizzas can be sold during this time period (Attachment). We found the school conducted numerous pizza fund-raisers that were held immediately after the end of the school. We also found that the school store was selling items that did not meet the nutritional guidelines during the lunch period. We recommend compliance with MCPS Regulation JPG-RA as well as the guidelines in the attached memorandum.

In accordance with MCPS Regulation DDA-RA, *Seeking and Securing Federal, State, and Private Grants*, one of the criteria defining a supported project grant is that the amount of the grant is greater than or equal to \$20,000. For supported project grants, the project manager completes MCPS Form 280-60: *Approval to Submit Proposal for Grant Funding*, and submits it to the MCPS Department of Strategic Planning and Resource Management. We found a grant proposal in the amount of \$39,462, signed by the principal on July 14, 2016, without the required submission for approval. Grantors must make grant checks payable to MCPS or to the school. We found that a school employee was directly reimbursed by the grantor for items purchased without detailed documentation provided to the school to substantiate that the items complied with the purpose of the grant. We recommend that appropriate prior approval is obtained before committing to a grant proposal/agreement, and that grantors make grant checks payable to the school rather than to a school employee.

#### Summary of Recommendations

- Total combined expenditures for staff appreciation and meeting refreshment may not exceed \$60 per FTE per fiscal year without prior approval of the COO.
- Transactions must be recorded in accordance with the IAF chart of accounts.
- Funds collected by sponsors must be promptly remitted to the school financial specialist **(repeat)**.
- Funds remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the school financial specialist.
- School store item sale, inventory, and internal cash control processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*.
- Food and beverage items available to students outside the school meals program should comply with MCPS Regulation JPG-RA.
- Grant fund approval and procedures should comply with MCPS Regulation DDA-RA, *Seeking and Securing Federal, State, and Private Grants*.

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 through Mr. Brian W. Scriven, 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. Scriven  
Mr. Tallur  
Mr. Ikheloa

**FINANCIAL MANAGEMENT ACTION PLAN**

**School:** Watkins Mill High School

**Principal:** Carol Goddard

**Fiscal Year:** 2017

**Associate Superintendent:** Dr. Darryl Williams

**Director:** Brian Scriven

**Strategic Improvement Focus:**

As noted in the financial audit for the period 3/1/16 to 4/30/17, strategic improvements are required in the following business processes :

- Total combined expenditures for staff appreciation and meeting refreshment may not exceed \$60 per FTE per fiscal year without prior approval of the COO.
- Transactions must be recorded in accordance with the AIF chart of accounts.
- Funds collected by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the SFS.
- School store item sale, inventory, and internal cash control processes should comply with the requirements outlined in the *Handbook for the Operations of School Stores*.
- Food and beverage items available to students outside the school meals program should comply with MCPS Regulation JPG-RA.
- Grant fund approval and procedures should comply with MCPS Regulation DDA-RA, *Seeking and Securing Federal, State, and Private Grants*

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
<p>I acknowledge the finding of exceeding our \$60 per FTE spending for staff. Per directives from auditors we have requested approval from the COO to authorize the overspending. However, I disagree with this finding. The attached documentation clearly states our SERT spending on schoolwide energy efficient equipment, such as refrigerators, is a justified expense. I do not agree that these expenditures should be included in our \$60 per FTE staff spending.</p> <p>In the future, in the event of projected overspending in this category, MCPS form 281-53 will be submitted to the COO for prior approval.</p>	<p>Carol Goddard &amp; Julie Broyles</p>	<p>Proposed staff spending budget. MCPS form 281-53</p>	<p>IAF accounts 0020.0000 &amp; 0021.0000</p>	<p>Carol Goddard, monthly IAF reports</p>	<p>Fiscal year spending in accounts 0020.0000 &amp; 0021.0000 will not exceed \$60 per FTE.</p>

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

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

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

Director: Jim W. Serin      Date: 9/11/17



School Energy and Recycling Team (SERT)  
Montgomery County Public Schools  
Department of Facilities Managements  
45 W. Gude Drive, Suite 4000  
Rockville, MD 20850  
240-314-1090, 301-279-3005, fax  
[www.greenschoolsfocus.org](http://www.greenschoolsfocus.org)

# SERT Funds

## What can we do with our SERT funds?

The School Energy Recycling Team (SERT) program is a system wide resource conservation program promoting efficient and responsible resource use. Monetary awards are granted to schools based on energy conservation and recycling performance data and active school participation.

SERT awards are delivered directly to schools in voucher format. These vouchers should then be sent via PONY to the Division of the Controller where award funds are then transferred via Electronic Funds Transfer (EFT) into the school's independent activity fund.

Schools can use these funds to promote and educate students and staff about the importance of conservation, environmental stewardship, and sustainability, but are not limited to such expenditures. SERT funds can also be used for legitimate school and student needs or improvement efforts under the discretion of the school principal.

The following list suggests conservation related ideas for the use of SERT funds.

- Field Trips to Green Building Museum, Recycling Center, power plants, parks, etc.
- Paper and toner for student-made conservation/environmental posters
- Video equipment/software for use in public service announcements about sustainability
- Student celebrations for SERT achievements
- Recycling bins, stations, equipment, etc.
- Membership fees for student conservation programs
- Energy-efficient equipment/improvements (task lamps)
- Native species garden plants/equipment
- Sustainability education resources
- Art supplies used for SERT initiatives/conservation related projects
- Presentations/assemblies related to sustainability/conservation
- SERT promo items for students (aprons, caps, badges, t-shirts)
- Energy tools for student use (Watt meters)
- Recycled content and energy-efficient materials

Periodically, SERT funds are awarded to the building service supply account in recognition of the significant contributions our building service staff. These funds can be used pursuant to the guidelines for supply accounts.

If you have any questions, concerns or suggestions regarding the spending of SERT funds, please feel free to contact SERT office at [SERT@mcpsmd.org](mailto:SERT@mcpsmd.org).