


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

November 11, 2015

MEMORANDUM

To: Dr. Debra Mugge, Principal
Wheaton High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2014, through May 31, 2015

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 fundraisers. They are responsible for ensuring that IAFs are administered in accordance with MCPS policies, regulations, and procedures.

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 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.

In our meeting on September 29, 2015, with you, Mrs. Sandra Spruill, business administrator, and Ms. Yesenia Gutierrez, financial specialist, we reviewed the status of the conditions described in our prior audit report dated April 7, 2014, and the status of present conditions. We noted that Ms. Gutierrez began her current position on July 1, 2015, after the conclusion of our audit period. We observed the progress made to improve conditions described in our previous report, such as equipment purchased being added to the MCPS fixed asset inventory. 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

While we commended you for progress made, some conditions continue to need improvement. In accordance with the MCPS Financial Manual (p. 20-5), aggregate school expenditures 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). We again found that expenditures for staff refreshments and appreciation exceeded the total amount allowed in FY 2015, 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 you correctly classify and record these transactions for more accurate accountability as well as adhere to the guidelines.

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. 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. After the purchase is completed, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the financial specialist (see MCPS Financial Manual, pp. 20-6, 20-7). In our sample of disbursements, we again found invoices were not always signed by the receiver. In addition, some disbursements did not have adequate documentation to fully explain the reason for the expenditure. We also noted the use of student funds to purchase gift cards for staff members, a prohibited expenditure. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought for allowable expenditures, and that complete annotated documentation be attached to fully explain the reason for the purchase.

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. MCPS employees may not participate in a recommendation or decision on behalf of the school system in any matter which would have a direct financial impact on them, including matters where the MCPS employee holds or acquires a financial interest in a business entity that has or is negotiating a contract of \$1,000 or more with the school system (see MCPS Policy BBB, *Ethics*). We found that one of your staff has an affiliation with a company that conducted business with your school. We recommend that you review the above policy with staff and seek advice in accordance with the guidance provided.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly and intact to the financial specialist together with a complete MCPS Form 280-34, *Remittance Slip*. The funds should be counted in the presence of the remitter, and a receipt that is supported by Form 280-34 promptly issued. Receipts must be deposited promptly, and always before each weekend or holiday (see MCPS Financial Manual, p. 7-4). We found that some sponsors were holding funds collected rather than remitting them to the

financial specialist on a daily basis, and funds were not always promptly receipted and deposited. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, we recommend that all funds collected be remitted to the financial specialist daily, promptly receipted, and promptly deposited.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. The completion reports submitted at the conclusion of the activity did not fully evaluate results. Proceeds were transferred before completion reports were prepared or reviewed. A completion report for an activity involving the sale of items should include the total number of items for sale, 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 activity (see MCPS Financial Manual, pp. 20-12, 20-13).

Contributions to charitable organizations are prohibited unless funds have been raised by students for a specific charity, approved by the principal, and advertised as such with full disclosure. Appropriately raised contributions should be disbursed to the designated charity as soon as possible after conclusion of the collection time period (see MCPS Financial Manual, p. 20-7). A donation in excess of the amount raised was contributed to the Leukemia and Lymphoma Society. No fund-raiser approval and advertisement were on file. We recommend that fund-raiser approval request forms and advertisements be retained, and that the donation made to the charitable organization be limited to the amount collected.

Admission receipts for school events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. These events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets. For ticketed events, the forms on file appeared to have been initiated after the conclusion of the activity, rather than when tickets were issued by the ticket controller to the admissions manager. Forms prepared by the ticket controller to issue tickets to the admissions manager were not retained on file. In some instances, forms were used merely to list tickets sold and not as a reconciliation of tickets issued to tickets returned and recorded receipts. The perpetual inventory did not adequately track the use of specific tickets. We recommend that admission to all events be controlled in accordance with the above cited regulation.

Summary of Recommendations

- Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO (repeat);
- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded;

- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchase documentation must be adequate to support disbursements;
- Gift cards are prohibited for staff members unless funds used were contributed by them;
- Conflict of interest guidance found in BOE Policy BBB and MCPS Regulation GCA-RA should be followed;
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the financial specialist;
- Funds remitted by sponsors must be verified and receipted prior to prompt deposit in the bank by the financial specialist;
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results;
- Donation to a charitable organization is prohibited unless a fund-raising activity is conducted for a specific charity and advertised as such with full disclosure; and
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mrs. Spruill. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations / Independent Activity Funds*, please provide a response to the Internal Audit office within 30 days of this report, with a copy to Dr. Debra Munk, director of secondary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Williams
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
Dr. Munk



Wheaton High School
The Academies

Academy of Bioscience and Health Professions
Academy of Information Technology
Academy of Engineering
Institute of Global and Cultural Studies

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November 30, 2015

MEMORANDUM

To: Roger Pisha, Internal Audit

From: Dr. Debra Mugge, Principal *DM*
Sandra J. Spruill, School Business Administrator *SS*

Subject: Action Plan for Wheaton Audit

We would like to thank your team for the continued support as we work to improve on financial best practices. After reviewing the audit findings we have created an Action Plan to enhance our current practices.

The Action Plan is ready for review, signature, and posting. If there is need for further discussions please do not hesitate to contact us directly.

Attachment: Action Plan

DM/SS/sbc

Fiscal Management Action Plan

School: Wheaton High School

Principal: Dr. Debra Muggs 

Approved by community superintendent: _____

Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<ul style="list-style-type: none"> • Finding: Staff expenditures exceed the \$60.00 per FTE policy. • Recommendations: Monitor and budget to remain within MCPS guidelines. Ask for additional expenditure approval on time. 	<ul style="list-style-type: none"> • The SFS and SBA will monitor the expenditures for compliance. If we find the need to exceed the allocation we will request additional expenditure approval through the COO. • Principal, School Business Administrator and School Financial Specialist. 	Immediately	IAF account will show expenditures that remain within the MCPS guidelines.
<ul style="list-style-type: none"> • Finding: Staff appreciation and meeting refreshment expenditures incorrectly classified and recorded. • Recommendations: Classify and record these transactions in the correct IAF account. 	<ul style="list-style-type: none"> • Classify and record these transaction for more accurate accountability as well as adhere to the MCPS guidelines. Any purchase made are being charged against to the receiving account and then funds are transfer to cover those expenditures. • School Business Administrator and Financial Specialist. 	Immediately and On Going	IAF accounts will show the expenditures correctly classified and recorded.
<ul style="list-style-type: none"> • Finding: Receipt of goods or services must be confirmed prior to disbursement. • Finding: Purchase documentation must be adequate to support disbursements. • Recommendations: sponsors to submit proper documentation to indicate satisfactory receipt of the goods/services. 	<ul style="list-style-type: none"> • SFS will remind all staff via email or at the time that invoices are submitted for payment that invoices should be signed and/or packing slip attached indicating that all goods and services were received prior to the disbursement taking place. • Financial Specialist. 	On Going	Completed 280-54 with all necessary documentation and pre-approval signatures on file. Email reminders to staff to bring in documentation that indicates satisfactory receipt of the good/services.
<ul style="list-style-type: none"> • Finding: Gift cards are prohibited for staff members. • Recommendation: SFS will check every receipt to make sure that sponsors are not buying gift cards. 	<ul style="list-style-type: none"> • SFS will remind all staff that gift cards are prohibited for staff members. Ms. Gutierrez will also review every receipt carefully to make sure sponsors are not submitting a check request to pay for purchased gift cards. • Financial Specialist. 	On Going	SFS will be the final reviewer before issuing a check to make sure that staffs are not requesting a check to pay for gift cards.
<ul style="list-style-type: none"> • Finding: Affiliation discovered between staff member and a company the school does business with. • Recommendation: SBA discussed this finding with the staff involved. 	<ul style="list-style-type: none"> • Staff was informed about this finding. SBA and SFS will ensure the vendor in question is no longer used. • School Business Administrator and Financial Specialist. 	Completed	Memorandum to remind staff of the MCPS guidelines and procedures.

<ul style="list-style-type: none"> • Finding: Staff were not remitting funds timely to the financial specialist. • Finding: Funds remitted by sponsors must be verified and receipted prior to prompt deposit in the bank by the SFS. • Recommendation: "All funds collected should be remitted to the financial specialist daily and promptly deposited." • Recommendation: SFS will start working on the deposit before lunch time. 	<ul style="list-style-type: none"> • During our in-service week, we remind all our staff to submit funds daily. Our SFS is also sending emails out to our staff that are sponsoring a FT or FR to remind them to come daily to remit funds. • SFS will start working on the deposit and entering the receipts on SFO before lunch time. • Financial Specialist. 	<p>Completion of this recommendation will be reflected through deposit and receipt records, which will indicate timely processing.</p>
<ul style="list-style-type: none"> • Finding: Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results. • Recommendation: To remind sponsors of keeping good records and invoices on file. During the month-end closing process, an e-mail requesting the completion of fundraiser reports will be sent to every sponsor. 	<ul style="list-style-type: none"> • To remind sponsors of keeping good records and invoices on file for the FR completion reports. During the month-end closing process, an e-mail requesting the completion of fundraiser reports will be sent to all sponsors who held fundraisers during the month being closed out as well as sponsors of fundraisers held during prior months who have not yet completed their reports. • Financial Specialist. 	<p>Upon review, fundraiser completion reports will be submitted and reviewed by the Financial Specialist in a timely manner. E-mail notification will be available for review.</p>
<ul style="list-style-type: none"> • Finding: Donation to a charitable organization is prohibited unless a fund-raising activity is conducted for a specific charity and advertised. • Recommendation: Principal will not approve any donation to a charitable organization if it not specify in the Fund Raiser request or if it is not advertised. 	<ul style="list-style-type: none"> • Principal will not approve any Donation to a charitable organization if it not specify in the Fund Raiser request or if it is not advertised. Financial Specialist will review every 280-54 before signing it to make sure that it is not for a donation if it was not mentioned on the FR request nor advertised. • Principal and Financial Specialist. 	<p>SFS will be the reviewer before signing form 280-54 from a sponsor requesting a check to donate to a charitable organization.</p>
<ul style="list-style-type: none"> • Finding: Admission events must be conducted in accordance with MCPS Regulation DMB-RA. • Recommendation: SBA will ensure tickets are used for athletic events. SBA will also keep a copy of form 280-50 on file. 	<ul style="list-style-type: none"> • SBA will ensure tickets are used for athletic events, tickets are sold in numerical order and different ticket colors are used to note different sale prices. • The finance office will continue monitor all ticket reports and make sure signatures are posted properly. Forms are prepared and kept by the ticket controller to issue tickets to the admission manager. • School Business Administrator and Financial Specialist. 	<p>MCPS Form 280-50 is submitted and completed for all ticketed school events.</p>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.