


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

October 19, 2016

MEMORANDUM

To: Dr. Debra K. Mugge, Principal
Wheaton High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
June 1, 2015, through August 31, 2016

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 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.

In our meeting on October 6, 2016, with you, Mrs. Sandy J. Spruill, school business administrator, and Ms. Yesenia S. Gutierrez, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated November 11, 2015, 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

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 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 school financial specialist (refer to *MCPS Financial Manual*, chapter 20, pp. 4 and 6). In our sample of disbursements, we again found that pre-approval was not consistently obtained and invoices were not always signed by the receiver. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that MCPS Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought. Certain sponsors would benefit from an annual budget detailing expected income and expenses approved by the principal at the beginning of the school year. These budgets should be monitored by your school financial specialist and revised if necessary.

A memorandum is issued annually with guidelines for management and accounting of external exam fees paid for students who are eligible for waivers and fee reductions. We found a lack of adherence to these guidelines. The monitoring spreadsheet used by the testing coordinator did not meet MCPS requirements, and we were unable to reconcile amounts collected from students receiving partial hardship waivers to actual receipts. The online company, Total Registration, was used for Advanced Placement (AP) exam registrations and collection of exam fees; however, the school also directly collected some exam fees, and data was inconsistently recorded in the Total Registration system so that we could not reconcile total receipts to the records. We recommend that you work with staff to ensure that procedures are in place to effectively manage external exam activities that includes accurate reporting and documenting waivers. We further recommend that you use the surplus balance in the AP exam account to offset future online credit card fees and other administrative costs.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).
- Purchaser must confirm receipt of goods or services prior to disbursement (**repeat**).
- AP exam activity must adhere to MCPS guidelines.
- Ensure that the surplus balance in the AP exam account is used to offset future online credit card fees and other administrative costs.

Other matters were discussed and satisfactorily resolved. We appreciated 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, with a copy to Dr. Debra S. Munk, 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

Copy to:

Members of the Board of Education

Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Dr. Johnson
Mr. Civin
Dr. Williams
Mrs. Camp
Mrs. Chen
Mrs. DeGraba
Ms. Diamond
Dr. Munk
Mr. Ikheloa

Fiscal Management Action Plan

School: Wheaton High School

Principal: Dr. Debra Mugge 

Approved by community superintendent: 

Date of approval: 11/22/16

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: Receipt of goods or services must be confirmed prior to disbursement. 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. 	<p>On Going</p>	<p>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.</p>
<ul style="list-style-type: none"> • Finding: Not all 280-54 forms were approved prior to purchase. • Recommendations: MCPS form 280-54 be prepared by staff and signed by principal at the time of verbal approval. Yearly budget reports would benefit the sponsor and must be monitored by the financial specialist. 	<ul style="list-style-type: none"> • Review correct procedures for all purchase requests with staff. • Creation of budgets at the beginning of the school year. Review and receive principal approval. Monitor all spending as it relates to approved budgets regularly. • Financial Specialist • Principal • Business Administrator 	<p>Immediately and On Going</p>	<p>All 280-54 forms will be dated and approved prior to purchases. Budget Reports will be created and kept in folders within the finance office.</p>
<ul style="list-style-type: none"> • AP exam activity must adhere to MCPS Guidelines • Ensure surplus funds are used to offset future online credit card fees. • Recommendations: Review all MCPS standards in regards to external test information collection and reporting with AP coordinator. 	<ul style="list-style-type: none"> • Create a shared (Business Office and AP Coordinator) external exam spreadsheet to monitor student data. Review daily to ensure accuracy. • Make sure surplus is directly used to support credit card fees and testing materials. 	<p>Immediately</p>	<p>The spreadsheet will be user friendly, comprehensive, and easy to follow. Fees and hardships will be clearly stated.</p>

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