


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 4, 2016

MEMORANDUM

To: Dr. Alan S. Goodwin, Principal
Walt Whitman High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
January 1, 2015, through June 30, 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 26, 2016, with you, Ms. Elizabeth L. Hillard, school business administrator, and Mrs. Joy L. Garnett, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated April 27, 2015, and the status of present conditions, noting the significant improvements made since the prior report. 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

Sponsors of school activities which involve the collection or disbursement of IAFs should be provided an account history report for each month in which transactions have been recorded in

their accounts and be required to verify that transactions have been correctly recorded. We found that reports issued were not inclusive of all activity, some sponsors did not return these statements, and there was no evidence of effective follow-up. We recommend that sponsors be given a monthly statement of their accounts and be required to verify that all transactions affecting the account have been correctly recorded. After all discrepancies have been resolved, the statements should be signed and dated by the sponsor to attest to their accuracy. We recommend that a procedure be established to ensure that all statements are reviewed and returned (refer to *MCPS Financial Manual*, chapter 20, page 10).

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the school financial specialist with MCPS Form 280-34: *Independent Activity Fund Remittance Slip*. Cash should be counted in the presence of the purchaser, and a receipt that is supported by the MCPS Form 280-34 should be issued promptly. All funds must be deposited promptly, including on the last working day of each month and before each weekend or holiday (refer to *MCPS Financial Manual*, chapter 7, pages 4 and 5). We noted that sponsors occasionally held funds collected rather than remitting them to the school financial specialist on a daily basis. We also noted that the school financial specialist was not always making deposits before each weekend or holiday, and that receipts were sometimes created several days after funds had been deposited in the bank. To minimize the risk of loss, all funds collected should be remitted daily. We recommend that staff be encouraged to submit cash and checks collected for IAF activities to the school financial specialist for prompt recording and depositing in accordance with MCPS policy and procedures.

An advance of funds to a staff member for allowable IAF expenditures must be issued by check to the staff member for conversion to cash. The advance must be routinely monitored for timely return of receipts documenting expenses and any unspent cash for deposit. We noted advances to staff and others, as well as a lack of consistent accountability for them. For some advances, supporting purchase receipts or cash were not returned or were returned several weeks or months later. We also noted instances where the amounts requested as an advance exceeded what was needed to pay expenses. Some of the supporting purchase receipts submitted pre-dated the cash advance request conveying the appearance of an unauthorized loan of school funds to the purchaser. We recommend that the use of advances be curtailed. However, if deemed necessary, the purchaser must account for it in a timely manner.

Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data should be provided to the financial specialist at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also should be used to estimate future trips. We found that not all sponsors provided complete data at the conclusion of each trip, and that data was not compared to the final account history report nor used for planning future trips. We also found instances in which fees collected exceeded sums needed to pay for a trip. We recommend trip sponsors use MCPS Form 280-41: *Field Trip Accounting*, or its equivalent, for recording of trip

fees and provide complete data at the completion of each trip. We further recommend that trip planning be reviewed to ensure established fees are commensurate with trip expenses (refer to *MCPS Financial Manual*, chapter 20, page 10).

Admission receipts for athletic and nonathletic events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admissions 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 a perpetual inventory of tickets. While we found receipts for most athletic events were properly controlled, we again noted poor accountability for tickets sold for most nonathletic ticketed events. Tickets were not always serially numbered and were often ordered and received by the admissions manager, rather than being maintained in the custody of the school business administrator as the ticket controller. In some cases, required forms were inaccurate and incomplete, serving only as a list of tickets sold and not as a record of tickets issued and returned that reconciled to the cash remittance. In other cases, they were prepared by the admissions manager and bore no other signature, including that of the financial specialist, who should have served as report auditor and reconciled the reports to the cash remitted for deposit. Some tickets were sold online by a third-party ticket service, but these sales were not independently reconciled by the business office staff, which had not received the ticket service's sales reports. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, and that admission to all events be controlled in accordance with the above cited regulation.

Summary of Recommendations

- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial specialist **(repeat)**.
- Cash control of school funds must be in accordance with chapter 7 of the MCPS Financial Manual.
- Advances of funds must be controlled and monitored **(repeat)**.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip **(repeat)**.
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses **(repeat)**.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA **(repeat)**.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Ms. Hillard and Mrs. Garnett. 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 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:VAD: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: Walt Whitman High School

Principal: Dr. Alan Goodwin

Approved by associate superintendent: _____ **Date of approval:** _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial specialist.</p>	<p>Ms. Legrande helped the Financial Specialist ensure the reports were sent out each month in 2016. Ms. Garnett did follow up with emails for all reports set, but did not keep clear records of her follow-up nor, did she did she ensure compliance. The SBA and Principal will communicate with staff and provide a copy of the communication to Office of Internal Audit insuring that staff understand reports must be returned by the 15th of the following month. Staff will receive on reminder from our office, one visit from me, then one final warning from Dr. Goodwin. If staff member is not compliant he or she will not be allowed to manage an IAF account next year, and may lose his or her privileges this year depending on the situation.</p>	<p>August 2016 - January 2017</p>	<p>We have been tighten this process up since November of 2015. Our control became tighter after Ms. Hillard had the privilege of learning from her first audit. Ms. Hillard will provide written documentation and document evidence of stricter compliance to our currently used checklist that is reviewed monthly by Dr. Goodwin will be provided by SBA.</p> <p>*Please note, Ms. Garnett does still need support with her heavy workload. We are looking for an existing employee to help her without creating an unauthorized position.</p>
<p>Cash control of school funds must be in accordance with chapter 7 of the MCPS Financial Manual.</p>	<p>Training and tips were provided to staff during the mid-September "pre-service day". Additional documentation will be provided to staff after the winter break. 12 month secretarial staff and the Business Office will be working over the Winter Break. During this time a presentation and Tip Sheet focusing solely on Chapter 7 best practices will be developed for all staff. The presentation will be shown at the earliest possible staff meeting, tips and reminders will be sent out repeatedly through email and Google Docs.</p>	<p>August 2016 -January 2017</p>	<p>The SBA will provide written documentation.</p>
<p>Advances of funds must be controlled and monitored.</p>	<p>Ms. Denning was very clear with Ms. Hillard on cash advances. Per Ms. Denning instructions the following changes have been made. More staff member have P-Card. Only Mr. Mullin and Mr. Lofgren are allowed cash advances. Both were named in our resolutions sent to Mr. Pisha and Ms. DeGraba.</p>	<p>August 2016</p>	<p>This was corrected before school started. This is being monitored throughout the school year.</p>

<p>Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses.</p>	<p>No trips will be allowed to leave the building without proper budget documents. No sponsors are over charging for trips. This was made very clear by Mr. Easton when he and Ms. Hillard presented to staff during preservice week.</p>	<p>August 2016 - December 20016</p>	<p>SBA will provide written and Online documentation. Online documentation will be up by December 31 for semester 1. Corrected by AP Easton and the SBA.</p>
<p>Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.</p>	<p>Assistant Principal Jerome Easton took over field trips when Mr. Campbell left. Mr. Easton was lead to believe that what he was doing with fieldtrips was all that was needed. When I arrived, I asked him if the Business Office needed to do anything with field trips. He said no. Based on his understanding from Mr. Campbell the teachers knew what they had to do, and Mr. Easton had everything else covered. When Ms. Denning set down with me this summer to ask why only one field trip was completed correctly. The NYC trip with Ms. Diamond. It was easy to explain. Ms. Diamond had worked closely with Mr. Campbell so she knew that there was more to completing a field trip package, and she may have been the only teacher who knew this. She came to me for the budget and bus worksheets. Other teachers were not completing the Business office part of the fieldtrip package for Mr. Campbell, which is why they did not notice anything missing from Mr. Easton and why Mr. Easton did not notice anything missing. As soon as Mr. Easton and I met this summer we developed a presentation for the staff, presented at pre-service, and have a secretary following up for us. We have all documentation for all trips. We will be uploading all fieldtrip documentation to T:\shared so Internal Audit will have easy access to this data.</p>	<p>August 2016 - December 2016</p>	<p>SBA will provide written and Online documentation. Online documentation will be up by December 31 for semester 1. Corrected by AP Easton and the SBA.</p>
<p>Admission events must be conducted in accordance with MCPS Regulation DMB-RA</p>		<p>August 2016</p>	

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