


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 30, 2017

MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2016, through September 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. School 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 November 15, 2017, meeting with you and Ms. Elizabeth L. Hillard, school business administrator, we reviewed the status of the conditions described in our prior audit report dated November 4, 2016, and the status of present conditions, noting improvements made in the control of admissions and field trips. 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 IAF 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

some sponsors did not return these statements. We recommend that sponsors be required to review these monthly reports and resolve any discrepancies in their accounts, ensuring that all statements are signed and returned to the school financial specialist (refer to *MCPS Financial Manual*, Chapter 20, page 10).

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). We noted that all expenditures for these items were not appropriately recorded in accordance with the IAF chart of accounts which increased the time required for us to determine whether or not guidelines have been followed. This also decreased the value of your financial reports for decision making to alert you in advance for the need to request an exception, and resulted in exceeding the total amount allowed in FY 2017, without approval of the COO. We also found instances in which expenditures for staff development were incorrectly classified and recorded in various accounts. We recommend that the financial staff correctly classify and record transactions for more accurate accountability, and alert you in advance prior to exceeding staff expenditure guidelines. Although financial staff attended School Finance Training the previous fiscal year, we further recommend they again take part II of the course.

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. We found that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that not all transactions were approved online. We recommend that action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted with MCPS Form 280-34, *Independent Activity Fund (IAF) Remittance Slip*, to the school financial specialist on the day the funds are received. We found instances in which staff collecting funds for the practice scholastic aptitude test (PSAT) and transcripts were holding funds rather than remitting them timely to the school financial specialist. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (refer to *MCPS Financial Manual*, chapter 7, page 4).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Each fundraiser must be approved by the principal, or designee, in writing and the approval retained in the school business office. Financial activities for each fund-raising activity should be recorded in a separate account in the 7,000 series and a completion report prepared that analyzes the results. We noted that not all sponsors are submitting a fund-raiser request form for your approval to conduct an activity, and financial staff did not ensure a completion report was submitted at the conclusion of the activity so that results could be evaluated.

A completion report for an activity involving the sale of items should include the total number of items for sale and cost of each, selling prices, and any remaining inventories to determine whether all sums collected were remitted to the financial specialist. We recommend these activities be conducted in accordance with the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*.

Summary of Recommendations

- Monthly account history reports provided to sponsors must be affirmed for transaction correctness and returned to the school financial specialist **(repeat)**.
- Total combined expenditures for staff appreciation and meeting refreshment may not exceed \$60 per FTE per fiscal year without prior approval of the COO.
- IAF transactions must be correctly classified and recorded in appropriate accounts.
- Financial staff should attend refresher School Finance Training.
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.
- Funds collected by sponsors must be promptly remitted to the school financial specialist **(repeat)**.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*.

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 Mrs. Jennifer L. Webster, director of school support and improvement of secondary schools. Based on the audit recommendations, Mrs. Webster 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 and school financial specialist to support you with developing a well-defined plan to address the findings.

RWP:MJB:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Mr. Civin
Dr. Johnson

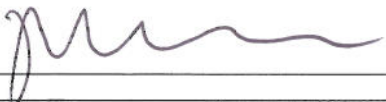
Dr. Williams
Mrs. Camp
Mrs. Chen
Ms. Diamond
Mrs. Webster
Mr. Tallur
Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: November 30, 2017	Fiscal Year: November 30, 2017
School: Walt Whitman HS - 427	Principal: Dr. Alan Goodwin
OSSI Associate Superintendent: Dr. Darryl L Williams	OSSI Director: Ms. Jennifer Webster
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>7/1/16-9/30/17</u>, strategic improvements are required in the following business processes :</p> <p>1. Monthly account history reports provided to sponsors must be affirmed for transaction correctness and returned to the financial agent (repeat). Continued on next page.</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
1. FS will ensure all monthly account history reports are properly affirmed and returned in a timely fashion. If reports are not returned, Ms. Garnett will send a reminder email, copying Dr. Goodwin. Dr. Goodwin will follow-up with staff as needed.	Joy Garnett		Email, Dr. Goodwin will follow-up as needed	Goodwin, & Garnett, Monthly	Final email from Ms. Garnett confirming all reports have been returned.
2. To ensure that no more then \$60.00 per FTE is spent Ms. Garnett will monitor requests for purchase adding her initials before she forwards the requests to Dr. Goodwin for his approval. Ms. Hillard will serve as a double check when she reviews monthly account history reports.	Libby Hillard Joy Garnett		Review & initial 280-54 Monthly monitoring	Goodwin , 280-54, weekly meetings Hillard, Monthly reports	Appropriate amount is being spent, and not over spent. Reviewed monthly account history reports
3. To ensure that IAF transactions are recorded correctly Ms. Garnett will monitor requests for purchase, adding her initials before she forwards requests to Dr. Goodwin for his approval. Ms. Hillard will serve as a double check when she reviews monthly account history reports.	Joy Garnett Libby Hillard		Review & Initial 280-54 Monthly monitoring	Goodwin, 280-54, weekly meetings Hillard, Monthly reports	Transactions correctly allocated and recorded. Reviewed in monthly account history reports.
4. Ms. Hillard and Ms. Garnett will attend School Finance training II. Ms. Hillard and Ms. Garnett will also meet with Ms. Kerri Pitts, SBA at Damascus on January 17, 2018 to learn best practices from Ms. Pitts and her SFO. They will work with Ms. Pitts to develop an overall improvement plan for repeat D1 and D3 audit items.	Libby Hillard Joy Garnett		Training Mentoring	Goodwin, Weekly meetings	Completed training Completed action plan

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
5. Purchase card holders will review transactions and record information on line. Purchase card holders will provide their signed completed landscape reports to their approvers by monthly due date. All signed reports and receipts will be kept in individual binders in the vault.	Higby, Hillard, Mazur, Swiger & Wetzel P card Approvers Goodwin/Hillard		JP Morgan Online JP Morgan Landscape transaction report & receipts	Goodwin & Hillard, Monthly	Correctly completed monthly reports and receipts
6. Ms. Garnett will report to Dr. Goodwin when any IAF sponsors holds funds. Dr. Goodwin will immediately follow-up with the offenders to remind them that holding funds is an audit violation.	Garnett Sponsors		Deposit reports	Goodwin & Garnett, Weekly meeting	Deposit reports
7. At the January staff meeting Fundraising guidelines will be reviewed. Staff will be reminded that all FR information is available in the staff T:\shared drive. Staff members who sponsor IAF accounts will be encouraged to have individual meeting with the business office.	Hillard Garnett Sponsors		Fundraising reports	Goodwin & Hillard, Weekly meetings	Correctly completed fundraising reports Account History report

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL	
<input checked="" type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments:	
Director: 	Date: 12/14/17