


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

December 26, 2018

MEMORANDUM

To: Dr. Robert W. Dodd, Principal
Walt Whitman High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2017, through August 31, 2018

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 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 Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 any significant errors or omissions in the financial records are detected.

At our November 28, 2018, meeting 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 November 30, 2017, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2018. 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, *Independent Activity Funds 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. Invoices for goods or services

must be signed by the purchaser to indicate satisfactory receipt (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we found prior approval was not consistently obtained and documentation was not annotated by the recipient to indicate purchased goods or services were satisfactorily received. 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 having an annual budget detailing expected income and expenses and obtaining principal approval at the beginning of the school year. These budgets should be monitored by your school financial specialist and revised if necessary.

MCPS Form 280-49A, *Authorization for Consultant/Independent Contractor (Vendor) Services Paid with Independent Activity Funds (IAF)*, specifies that it is required to document authorization/approval for all consultant/independent contractor services paid with IAF. If payment due for the vendor's services is \$1,500 or more, a purchase order is required, (refer to *MCPS Financial Manual*, chapter 15, page 2). We found you were not completing MCPS Form 280-49A when paying independent contractors for services. We recommend that you follow the procedures for hiring and paying consultants/independent contractors with IAF.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although the sponsors are submitting fund-raiser request and completion reports and all reports are signed by the school business administrator, we noted that not all forms were properly completed so that results could be evaluated. We recommend that fund-raiser completion reports for activities involving the sale of items include the total number of items for sale, selling prices, and any remaining inventories to determine whether all sums collected were remitted to the school financial specialist.

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged, as well as the number of books distributed free of charge (refer to *MCPS Financial Manual*, chapter 20, page 14). We found that the records kept by the yearbook sponsor did not enable us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. We were therefore unable to determine that all funds generated from this activity had been remitted. We recommend that the yearbook sponsor be counseled and assisted with the record-keeping required for this activity.

Review of field trip activities revealed that not all field trip sponsors are providing completed financial information to the school financial specialist at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the school financial specialist when a trip is completed (refer to *MCPS Financial Manual*, chapter 20, page 10). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We recommend that all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement.

- Purchaser must confirm receipt of goods or services prior to disbursement.
- MCPS 280-49A must be prepared when hiring independent contractors.
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results (**repeat**).
- Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, and ending inventory.
- 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.

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 Mr. Brian W. Scriven, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mr. Scriven will indicate whether he will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school financial agents to support you with developing a well-defined plan to address the findings.

RWP:BK:lsh

Attachment

Copy to:

Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman

Mr. Civin
Dr. Johnson
Mrs. Dyson
Mrs. Camp
Mrs. Chen

Ms. Diamond
Mr. Tallur
Mr. Scriven
Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 12/13/18

Fiscal Year: 2019

School: Walt Whitman

Principal: Dr. Robert Dodd

OSSI

OSSI

Associate Superintendent: Mrs. Cheryl Dyson

Director: Mr. Brian Scriven

Strategic Improvement Focus:

As noted in the financial audit for the period 10/1/2017-8/31/2018, strategic improvements are required in the following business processes :


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Ensuring all purchase requests are pre-approved by the principal prior to procurement	Dodd, Garnett	280-54 & budgets	SBA checks & initials 280-54s to ensure information is correct. FS performs final review prior to releasing funds.	All 280-54 will be reviewed by the FS to ensure the principal has signed.	Zero 280-54s & budgets not properly approved.
Ensure all invoices for goods & services have been signed to indicate goods/services received	Hillard, Garnett	Invoices and reports	FS checks all invoices to ensure they have been signed. SBA checks all credit card reports for signature.	FS prior to disbursing funds. SBA when reviewing p-card reports.	Zero invoices unsigned.
Full completion of form 280-49a	Garnett	280-49a	FS will ensure for 280-49 is complete & ensure the procurement and payment process is followed.	FS ensures 280-49a complete & follows procurement/payment process. SBA reviews	Zero findings of purchases made without fully completed 280-49a.
Ensuring fully completed fundraiser completion reports	Garnett	FS/SBA meet weekly to review fundraisers	Fundraiser notebook, meetings & spreadsheets	FS & SBA meet weekly to review & ensure timely closing of fundraisers.	Zero findings of incomplete fundraisers.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Ensuring yearbook sponsor accounts for all yearbooks purchased, sold and distributed at no cost. Ensuring a complete final inventory.	Yearbook sponsor	Reports from vendor and SF0. Review of yearbook vendor.	Meetings with Principal & SBA to ensure sponsor is on track. Year-end yearbook sales report	Principal & SBA	Sponsor submits correct & complete final report. Zero findings for yearbook.
Ensure all fieldtrip records include comprehensive data to account for all eligible students, and reconcile funds collected for trip with costs.	Hillard, Garnett	FS/SBA meet weekly to review fieldtrips	Fieldtrip notebook, meetings & spreadsheets	FS & SBA meet weekly to review & ensure timely closing of fieldtrips	Zero finding for fieldtrips.

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

Approved Please revise and resubmit plan by _____

Comments:

Director:  Date: 1/14/19