


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

April 28, 2016

MEMORANDUM

To: Ms. Kimberly M. Boldon, Acting Principal
Thomas S. Wootton High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2015, through February 29, 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 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 April 22, 2016 with you, Mr. Philip Hill, business administrator, and Ms. Julia Walsh, financial specialist, we reviewed the status of the conditions described in our prior audit report dated May 12, 2015, and the status of present conditions. It should be noted that your appointment as acting principal was effective August 24, 2015. 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

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 MCPS Form

280-34, *IAF Remittance Slip*. Cash should be counted in the presence of the remitter, and a receipt that is supported by Form 280-34 should be issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the financial specialist. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We again found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis, and the financial specialist, on a few occasions, did not deposit them in a timely manner. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-4). 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. In our sample of disbursements, we found prior approval was not consistently obtained when required. A few disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, and that complete documentation be attached to fully explain the reason for the purchase. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses; obtaining your approval at the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary.

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 found that these expenditures exceeded the total amount allowed in FY 2015, without approval of the COO. We also found a few instances in which expenditures for these items were incorrectly classified and recorded in other 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 more precise recording of these transactions to monitor adherence to the guidelines.

In accordance with the September 25, 2014, memorandum from the COO, *Regulatory Change Regarding Foods and Beverages Sold to Students During the School Day*, no commercial pizzas can be sold between 12:01 a.m. and 30 minutes after the end of the school day. We found the school conducted numerous pizza fund-raisers that were held immediately after the end of the school day. In accordance with MCPS Regulation JPG-RA, *Wellness: Physical and Nutritional Health*, food and beverages available to students outside of the school meal program should make a positive contribution to the students' diet and promote health. We also noted several

fund-raisers with noncompliant items sold to students before and after school. We recommend compliance with MCPS Regulation JPG-RA and the September 25, 2014, COO memorandum.

Summary of Recommendations

- Funds collected by sponsors must be promptly remitted to the financial agent (repeat);
- Purchase requests must be approved by the principal prior to procurement;
- Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO; and
- Food and beverage items available to students outside the school meals program should comply with MCPS Regulation JPG-RA.

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 office within 30 days of this report, with a copy to Dr. Debra Munk, director of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

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

WOOTTON HIGH SCHOOL
MONTGOMERY COUNTY PUBLIC SCHOOLS
ROCKVILLE, MARYLAND

May 26, 2016

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor, Internal Audit

From: Kimberly M. Boldon, Principal *KMB*

Subject: Response to Report of Audit of Independent Activity Funds for the
Period of March 1, 2015 through February 29, 2016

This memorandum is in response to the audit report of Wootton's Independent Activity Funds (IAF) for the period of March 1, 2015 through February 29, 2016. We appreciate the opportunity to work with your office to ensure that Wootton is in compliance with MCPS policies, regulations and procedures, and to review Wootton's processes for continuous improvement.

Although we are pleased with most of the results of our most recent audit, we understand where there are areas for growth and improvement. This particular audit spanned two separate financial specialists. Ms. Julia Walsh began her position July 1, 2016 and has worked tremendously hard to provide continuity in the position. And as noted in your memo, my position as acting principal was effective August 24, 2016.

We are addressing the summary of recommendations in the following ways:

Funds collected by sponsors must be promptly remitted to the financial agent:

- Although we have made great progress in this area, we realize that this continues to be an area of growth. Our current practices to address this concern include following up with individual staff members via email when a deposit is made in an untimely fashion. We have also followed up with staff members who persist in holding funds. We are planning to do more trainings for sponsors during pre-service week to educate them on expectations and procedures for collecting funds. We will also have them sign an agreement. Should the problem persist, we will revoke his/her privilege to collect funds on behalf of the club or organization.

Purchase requests must be approved by the principal prior to procurement:

- Much like the issue mentioned above, we continue to educate staff on the procedures for making a purchase with school funds. Moving forward, we will document persistent problems with staff members and will not reimburse if prior approval is not given.

Staff appreciation and meeting refreshment expenditures exceeding limit:

- We have a better understanding of the staff appreciation expenditures and the mistakes we have made in recording these expenditures. Moving forward, we will adhere to the \$60.00 per FTE per fiscal year guideline, and we will seek prior approval of the COO should we need to exceed this limit. The principal and school business administrator will work closely moving forward to closely monitor this expenditure.

Food and beverage items and compliance with MCPS Regulation JPG-RA

- The school had several fundraisers that involved selling food not within MCPS guidelines. Moving forward, those fundraisers will not take place. Club sponsors and organizers have been made aware of this, and those activities are no longer approved. The Booster Club also sold food out of the school store three days a week, during lunches. That practice ended as of December 2015.

We look forward to the opportunity to address these concerns. And we appreciate your continued support and help in clarifying our concerns in the areas mentioned above.

Copy to:
Dr. Munk