


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

May 17, 2017

MEMORANDUM

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

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

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2016, through March 31, 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. 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 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 meeting on May 5, 2017, with you, Mr. Philip B. Hill, school business administrator; and Ms. Julia G. Walsh, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated April 28, 2016, 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

In order for the principal to retain control over Independent Activity Funds (IAF), the principal's pre-approval is required for IAF disbursements. An accepted method of pre-approval is a budget document prepared by the sponsor of a school activity and approved by the principal that indicates projected revenue by source and projected expenditure by type of item for a period of

time not to exceed a fiscal year. The sponsor cannot exceed the total amount of expenditures in the approved budget without receiving prior written approval of the principal to amend the budget (refer to *MCPS Financial Manual*, chapter 20, page 5). In our sample of disbursements, we found some that exceeded the approved budget without amendment. We recommend that financial staff monitor approved budgets to ensure sponsors obtain an amendment when necessary.

Aggregate school expenditures for the procurement of meeting refreshments 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 found that these expenditures exceeded the total amount allowed in FY 2016 without approval of the COO. We recommend adherence to these guidelines.

In order to properly control receipts, sponsors and other authorized individuals for IAF activities must promptly remit funds to the school financial specialist. We found that some sponsors were holding funds collected rather than remitting them to the school financial specialist on a daily basis. We also noted that in lieu of using a change fund, cash collected for copy charges was being retained in the media center to make change for customers who did not have the exact payment amount. A change fund is a reasonable amount of cash used in a business operation to complete the sale of items when customers do not have the exact amount of cash to purchase the items. To minimize the risk of loss or theft of student funds, we recommend that sponsors adhere to the cash control of receipts remittance requirements. We further recommend establishment of a change fund for the media center (refer to *MCPS Financial Manual*, chapter 7, pp. 1, 4, and 6).

Summary of Recommendations

- Budgets used as pre-approval by the principal for IAF disbursements, must be amended prior to an expenditure that exceeds the original budget request.
- Staff appreciation and meeting refreshment combined total expenditures may not exceed \$60 per FTE per fiscal year without prior approval of the COO (**repeat**).
- Funds collected by sponsors must be promptly remitted to the school financial specialist (**repeat**).
- Establish a change fund for the business operation of the media center.

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*, please provide a response to the Internal Audit Unit within 30 calendar days of this report through 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.

Ms. Kimberly M. Boldon

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May 17, 2017

RWP:KMH:lsh

Copy to:

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FINANCIAL MANAGEMENT ACTION PLAN

School: Thomas S. Wootton High School

Principal: Kimberly Boldon

Fiscal Year: FY2017

Associate Superintendent: Dr. Darryl Williams

Director:

Dr. Debra

Munk

Strategic Improvement Focus:

As noted in the financial audit for the period 03/01/16 through 03/31/17, strategic improvements are required in the following business processes :

- Budgets used as Pre-Approvals by the principal must be amended prior to an expenditure that exceeds the original budget request.
- Staff appreciation and meeting refreshment combined total expenditure cannot exceed the \$60/per FTE without approval from the COO.
- Funds collected by sponsors must be promptly remitted to the school financial specialist.
- Establish a change fund for the business operation of the media center.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Verify all disbursements over \$300 are either pre-approval via form 280-54 or is a part of a budget approved by the principal. If the expenditure is not pre-approved, item will be presented to the Principal for a decision on reimbursement.	SFS supported by SBA	Copies of all approved budgets.	Will be monitored at the time of reimbursement request	All IAF sponsors who have financial transactions. When requests made.	Improved adherence to the policies associated with Pre-approved purchases
Monitor appreciation/meeting refreshments purchased throughout fiscal year. When threshold is close and forecasted expenditures predict an overage, submit form 281-53 to COO for a waiver on this restriction.	SFS supported by SBA	Access to SFO	Will be evaluated at the end of 1 st semester with a final evaluation/prediction made after 3rd marking period	SFS and SBA reviewed together at the end of 1 st semester and at the end of the 3 rd marking period.	Improved adherence to the policies associated with expenditures for staff appreciation and meeting refreshments.
Training session required at the beginning of the school year for all sponsors of IAF accounts that have or will have financial dealings. The club/class/ or department cannot raise or spend money without attending this mandatory training.	SFS supported by SBA	Dedicated time for training during staff preservice.	Database to be created to record those who have and have not been trained each year.	SBA/SFS SBA when approving fundraisers, SFS before financial transactions take place.	Improved adherence to the policies associated with the timely remittance of funds collected by sponsors.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Create change fund for the business operation of the media center. \$50	SFS	Extra change fund separate from athletics	Monthly sponsor report distribution	SFS, should see deposits made weekly or when collected funds exceed \$50	Timely deposits of smaller deposit made throughout the school year.

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: <u>Carolyn Monk</u>	Date: <u>6/28/17</u>