


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 12, 2017

MEMORANDUM

To: Mr. Stephen C. Whiting, Principal
Clarksburg High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2016, through February 28, 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 April 6, 2017, with you, Mrs. Brandice C. Heckert, principal intern, Ms. Claudette M. Eader, school business administrator, and Mrs. Sharon M. Weston, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated December 29, 2015, 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

The sale of athletic items to students should comply with the procedural requirements outlined in the *Handbook for the Operation of School Stores*. We noted some weaknesses in the accounting process for these sales that precluded us from reconciling the record of money collected from

students with the record of items sold. To improve controls, we recommend that the school store sponsor records the quantity of items sold and the money collected for each type of athletic item on a spreadsheet to be reconciled with the monthly School Funds Online account history report. In addition, the sponsor should adjust the inventory records to account for sales, purchases, giveaways, and for garments that become damaged or obsolete. The inventory records should be compared to a physical count of items to be conducted at least once annually. Inventory items should be secured at all times to lessen the likelihood of a loss or theft. If individuals purchased all student athletic items directly from vendors rather than the school store, you could eliminate the need for accounting for sales and maintaining an inventory of these items.

A budget document may be used to obtain principal approval to proceed with an intended purchase (refer to *MCPS Financial Manual*, chapter 20, pp 4-5). The budget must be approved by the principal and indicate projected revenue by source and projected expenditure by type of item for a period of time not to exceed a fiscal year. The budget sponsor cannot exceed the total amount of expenditures in the approved budget without receiving prior written approval of the principal to amend the budget. The school financial specialist is responsible for monitoring the budget to ensure revenues and expenditures conform to what the principal had approved. We found that the approved athletic budget for Fiscal Year 2016 had not been monitored by the school financial specialist. We also noted several line items in budget that had been overspent with no pre-approval given for these additional expenditures. We recommend that your athletic director prepare a detailed budget each year for your approval, and that it be monitored and revised when necessary.

Summary of Recommendations

- Athletic item sales and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*.
- Budgets must be monitored to compare projected revenue and expense to actual results.

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, with a copy to Mr. Brian W. Scriven, 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:MJB:ish

Copy to:

Members of the Board of Education
Dr. Smith
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Dr. Williams
Mrs. Camp
Mrs. Chen
Ms. Diamond
Mr. Scriven
Mr. Tallur
Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: Clarksburg High School

Principal: Steve Whiting

Fiscal Year: 2017

Associate Superintendent: Darryl Williams

Director: Brian Scriven

Strategic Improvement Focus:

As noted in the financial audit for the period 12/1/2016-2/28/2017, strategic improvements are required in the following business processes :

- Sale of athletic items
- Budge monitoring

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
Conduct inventory quarterly to reconcile sales and receipts. Encourage online sales rather than hold inventory	Athletic Director	Excel spreadsheets	Regular inventory and review with business office of inventory/receipts Work with vendors to eliminate inventory and use online sales	Financial Specialist/business administrator – Quarterly	
Budgets submitted to the business office for reviewed Every month to ensure line item budget request Stay within the preapproved amount of the budge	Athletic Director/business administrator/financial specialist	Excel/SFO	Monthly review of approved budgets	Financial Specialist/business administrator Monthly	

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

Approved

Please revise and resubmit plan by _____

Comments: _____

Director: Brian W. Scriven

Date: 6/15/17