


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

March 9, 2020

MEMORANDUM

To: Dr. Barbara A. Woodward, Principal
Hallie Wells Middle School

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2018, through January 31, 2020

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 February 27, 2020, meeting with you and Mrs. Mary D. Fagan, school financial specialist, we reviewed the prior audit report dated June 18, 2018, 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

Sales of physical education clothing must comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We noted some weaknesses over the accounting process for the sale of clothing, and records of sums collected from students could not be reconciled to records of sales. To improve controls, we recommend tracking of clothing sales on a spreadsheet that can be reconciled to records of account activity. In addition, inventory records should be adjusted for sales, purchases, giveaways, and for garments that are damaged or obsolete. The inventory record

should be compared to a physical count which should be performed at least annually. At the end of each fiscal year MCPS form 281-22, *Sale of Merchandise Analysis*, must be completed and any discrepancies explained. The inventory should be secured at all times to lessen the likelihood of a loss.

Notice of Findings and Recommendations

- Physical Education clothing sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*.

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. Eric A. Wilson, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Mr. Wilson 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 administrative secretary to support you with developing a well-defined plan to address the findings.

MJB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Wilson

Dr. Zuckerman

Dr. Johnson

Mr. Koutsos

Mrs. Camp

Mrs. Chen

Mr. Marella

Mr. Tallur

Mr. Wilson

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 3/09/2020

Fiscal Year: 3/09/2020

School: Hallie Wells MS - 345

Principal: Barbara Woodward

OSSI

Associate Superintendent: James Koutsos

OSSI

Director: Eric Wilson

Strategic Improvement Focus:

As noted in the financial audit for the period 5/01/18-1/31/20, 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
1. See that inventory delivered in June is accounted for in the next year's inventory.	Ms. Fagan Mr. Owen	None	July 15, 2020 July 15, 2021 July 15, 2022	Ms. Fagan Dr. Woodward Mr. Currence	
One line for each item of clothing, regardless of size. For example, shirts, shorts, hoodie--each only one line in the inventory sheet, utilizing new form.	Ms. Fagan Mr. Owen	None	June, 2020 September, 2020 January 2021 June, 2021	Ms. Fagan Mr. Owen Dr. Woodward	
Conduct, reconcile and file three inventories of merchandise during the year: 1. End of September 2. End of January 3. End of June	Mr. Owen	None	Within 1 week of inventory--submission of document June, 2020 September, 2020 January 2021	Ms. Fagan Mr. Owen Dr. Woodward	
Utilize the credit card reader for in-school credit card purchases, especially during high volume events (Open House, Opening of School). Include staff members into OSP	Ms. Fagan Ms. Huff	Purchase item	1. Documentation of purchase of card reader 2. Align with OSP procedures for credit card swipe.	Ms. Fagan Ms. Huff Dr. Woodward	

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

☒ **Approved**

☐ Please revise and resubmit plan by _____

Comments: _____

Director: _____



Date: _____

4/20/2020