


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

April 29, 2024

MEMORANDUM

To: Mr. Scott E. Smith, Principal
Northwest High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2022, through January 31, 2024

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 and 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 April 15, 2024, meeting with you; Mrs. Lori C. Knight, school business administrator; and Mrs. Jacqueline N. Miller, school financial specialist, we reviewed the prior audit report dated December 13, 2022, and the status of the 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 athletic uniforms must comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We noted some weaknesses in the accounting process for the sale of uniforms that included no documentation to verify ending inventory. To improve controls, we recommend recording purchases and sales, and keeping records adjusting for giveaways and for garments that become damaged or obsolete. The accuracy of these records must be verified at

least annually by comparing them to a physical count of the actual inventory items using MCPS Form 281-22, *Sale of Merchandise*. This form must be included in your end of year report submitted to the Internal Audit Unit each year. The inventory items must be secured at all times, and with restricted access to lessen the likelihood of a loss.

A memorandum is issued annually with guidelines for management and accounting of external exam fees paid for students who are eligible for waivers and fee reductions. We found a lack of adherence to these guidelines. Waivers reported to MCPS for Title IV funds had not been verified and as a result the request for reimbursement was overstated. We recommend that you work with staff to ensure that procedures are in place to effectively manage external exam activities, and to ensure that waivers reported are accurate and well documented.

Notice of Findings and Recommendations

- MCPS Form 281-22, *Sale of Merchandise* must be completed for athletic student uniform purchases at the end of each fiscal year.
- Exam fee waivers must be verified for accuracy prior to submitting for reimbursement.

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 action plan, 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 Ms. Nicole A. Sosik, director of school support and well-being, Office of School Support and Well-Being, for written approval of your plan. Based on the audit recommendations, Ms. Sosik will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you, your school business administrator and school financial specialist to support you with developing a well-defined plan to address the findings.

MJB:LMB:rg

Attachment

Copy to:

Members of the Board of Education

Dr. Felder

Mr. Hull

Dr. Johnson

Ms. Dempsey

Dr. Moran

Mrs. Williams

Dr. Redmond Jones

Mr. Reilly

Mrs. Chen

Ms. Eader

Mr. Klausung

Mrs. Ripoli

Ms. Sosik

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: April 29, 2024	Fiscal Year: 2024
School or Office Name: Northwest High School	Principal: Scott Smith
OSSWB Associate Superintendent: Donna Redmond Jones	OSSWB Director: Nicole Sosik
<p>Strategic Improvement Focus: As noted in the financial audit for the period <u>11/1/22-1/31/24</u>, strategic improvements are required in the following business processes :</p> <p>1) Sales of athletic uniforms must comply with inventory requirements; 2) Exam fees paid for students eligible for waivers and fee reductions must adhere to memo guidelines.</p>	


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
Maintain records of purchases and sales with adjustments made for giveaways and damaged/obsolete garments, compare to actual inventory and complete MCPS Form 281-22.	Athletic Specialist	Handbook for the Operation of School Stores Form 281-22	Keep spreadsheet with purchases and sales records. Regularly track actual inventory.	Principal, SBA and Financial Specialist Ongoing/July 2024	Complete Form 281-22 and include in the IAF annual financial report.
Keep accurate and well documented records of all fee waivers and verify consistency with IAF records prior to submitting for either Title IV grant or MCPS waiver reimbursement.	AP Coordinator	AP Exam Memo and Attachments	Keep spreadsheet with fee waiver records. Continually compare IAF records with fee waiver records.	Principal, SBA and Financial Specialist Ongoing/June 2024	Submit accurate Exam Fee Subsidy Tracking Tables and Reimbursement Summary Reports.

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OFFICE OF SCHOOL SUPPORT AND WELL-BEING (OSSWB)

Approved
 Please revise and resubmit plan by _____

Comments: _____

Director: 
 Date: 5/2/24