


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 20, 2016

MEMORANDUM

To: Ms. Billie-Jean Bensen, Principal
Rockville High School

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

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2015, through May 31, 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.

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 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 July 8, 2016, with you, Mr. David Stough, school business administrator, and Mrs. Aleyda Portillo-Holsey, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 5, 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

MCPS Form 280-54: *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see *MCPS Financial Manual*, chapter 20, page 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 obtained when required for many purchases. Many 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 the IAF activities. We recommend that MCPS 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, and obtaining your approval at the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. In our sample, we noted a few fund-raisers that began before approval was obtained. For several fund-raisers, the completion reports submitted at the conclusion of the activity did not fully evaluate results. A completion report for an activity involving the sale of items should include the total number of items for sale, selling prices, and any remaining inventories to determine whether all sums collected were remitted to the school financial specialist. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity (see *MCPS Financial Manual*, chapter 20, pages 12–13).

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Fund-raisers must be approved by the principal prior to advertising or conducting the activity.
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results (repeat).

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 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. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:lsh

Copy to:

Members of the Board of Education
Dr. Smith
Dr. Navarro
Dr. Statham
Dr. Zuckerman
Dr. Williams
Mrs. Chen
Mrs. DeGraba
Ms. Diamond
Mr. Scriven
Mr. Ikheloa

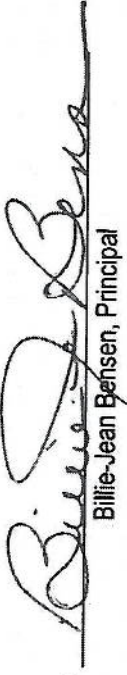
Fiscal Management Action Plan

Audit Report Date: July 20, 2016

School: Rockville High School
Principal: Billie-Jean Bensen

School Business Administrator: David Stough
School Financial Specialist: Aleyda Portillo

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase requests must be approved by the principal prior to procurement.	<ul style="list-style-type: none"> - Bensen, Stough, Portillo: Train staff on/Remind staff of policy - Stough, Portillo: Encourage and facilitate the creation and use of budgets 	<ul style="list-style-type: none"> - During ILT, Pre-Service weeks and when purchases are requested (verbally, e-mail, and/or in writing) - As above, plus any larger/long-term activity at time of planning 	Will review during bi-weekly meetings (where requests and checks are presented for principal signature)
Purchaser must confirm receipt of goods or services prior to disbursement	<ul style="list-style-type: none"> - Stough, Portillo: Train staff on/Remind staff of policy - Portillo: Verify before printing check 	<ul style="list-style-type: none"> - During ILT, Pre-Service weeks and when purchases are requested (verbally, e-mail, and/or in writing) - Before printing checks 	Will review during bi-weekly meetings (where requests and checks are presented for principal signature)
Fund-raisers must be approved by the principal prior to advertising or conducting the activity	<ul style="list-style-type: none"> - Bensen, Stough, Portillo: Train staff on/Remind staff of policy - Stough, Portillo: Ensure profit expectation takes all details into account (payroll, sales tax, shipping etc.) so the principal's decision is based on accurate information. 	<ul style="list-style-type: none"> - During ILT, Pre-Service weeks and when approval is requested (verbally, e-mail, and/or in writing) - At planning meeting prior to submission for principal signature 	Will review during bi-weekly meetings (where requests and checks are presented for principal signature)
Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results	<ul style="list-style-type: none"> - Stough, Portillo: Meet with sponsors to prepare/review necessary documentation and present to principal for signature 	<ul style="list-style-type: none"> - Within two weeks of the end of the fund-raiser 	Will review during bi-weekly meetings (where requests and checks are presented for principal signature)

Approved: 
Billie-Jean Bensen, Principal

Date of approval: 7/27/16

Note: Copies of the approved plan are to be sent to (1) the Internal Audit Office and to (2) Brian Scriven, Director of School Support and Improvement of High Schools