


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 20, 2015

MEMORANDUM

To: Mrs. Renay C. Johnson, Principal
Montgomery Blair High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2013, through August 31, 2014

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.

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 January 28, 2015, with you, Mr. James Funk, business administrator, Ms. Donna Franklin, financial specialist, and Mrs. Eileen Heiss, secretary, we reviewed the status of conditions described in our prior audit report dated May 8, 2013, and the status of present conditions. We noted the progress made to improve conditions described in our previous report, such as yearbook sales records maintained in good order. We also discussed further actions needed to strengthen the accountability for IAF resources. 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

While we commended you for progress made, some conditions continue to need improvement. MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-5). After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase. Once the check is written, invoices for goods or services must be marked as "paid". In our sample of disbursements, we again found some disbursements did not have adequate documentation to fully explain the reason for the expenditure. In addition, not all invoices or purchase receipts were marked "paid". By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, that complete documentation be attached to fully explain the reason for the purchase, and all such documentation be marked "paid".

In order to properly control receipts, cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the financial specialist, together with a completed MCPS Form 280-34, *IAF Remittance Slip*. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (see MCPS Financial Manual, p.7-4). We again noted that some staff members held funds collected rather than remitting them to the financial specialist on a daily basis. We also noted that Form 280-34 was not always completed properly, and that deposits were not always made on a daily basis, especially during periods while the financial specialist was on scheduled leave. To minimize the risk of loss, all funds collected should be remitted and deposited daily. We recommend staff be encouraged to submit cash and checks collected for IAF activities to the financial specialist for prompt deposit in accordance with MCPS policy and procedures.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. We again noted a lack of adherence to guidelines. A copy of the trip's approval form, signed by the principal and associate superintendent when required, should be on file in the finance office. Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be submitted to the finance office at the completion of each trip, and compared to remittances recorded in the trip account history report. The data should also be used to estimate future trips. MCPS must be reimbursed for substitutes used for trips, and trip accounts should be closed in a timely fashion. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled with remittances recorded in activity accounts. We further recommend compliance with all internal controls established for field trips (see MCPS Financial Manual, p. 20-12).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. We again found that there was a lack of adherence to these guidelines. Each fund-raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity should be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results. Completion reports need to include the total number of items for sale, selling prices, and any remaining inventories in order to determine whether or not all sums collected were remitted to the financial specialist. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event (see MCPS Financial Manual, pp. 20-12, 20-13).

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. Fund-raising for a charitable organization is prohibited unless it has been approved by the principal and is advertised as such with full disclosure. Appropriately raised contributions should be disbursed to the designated charity as soon as possible after conclusion of the collection time period (see MCPS Financial Manual, p. 20-7). Fund-raisers on behalf of charities lacked approval, clear advertisement, and amounts collected remained undisbursed. We recommend sponsors of charitable fund-raisers indicate the benefiting organization on the fund-raiser approval request form and in all advertisements, and that all collected funds be disbursed to the charitable organizations promptly.

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their accounts and be required to verify that transactions have been correctly recorded. We found some sponsors did not return these statements. We recommend sponsors be required to review and resolve any discrepancies in their accounts and return the signed statements to the financial specialist. We recommend a procedure be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, pp. 20-9, 20-10).

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. Card members must promptly review and explain their transactions and submit invoices and receipts, marked to indicate that purchases were received in satisfactory condition, for timely review and approval by the principal. Transactions greater than pre-established dollar limits are not allowed, and purchasing cards may not be used to purchase gift cards. We found purchase records not submitted for review in a timely manner, purchase receipts not marked as received, use of cards to purchase gift cards, and several purchases split to circumvent transaction limits. We recommend action be taken to correct these conditions and bring purchasing card usage into conformity with MCPS requirements. If card member transaction or monthly limits need to be changed, a completed MCPS Form 234-20, *Purchasing Card File Maintenance Worksheet*, should be submitted to the division of controller for approval.

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides requirements for the accounting for sales of admission tickets. We found that MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, was often not prepared correctly. Other weaknesses included failure to use pre-numbered tickets for all events and a different color ticket for complimentary admissions. We recommend that admission to all events be controlled in accordance with the above cited regulation.

Retail sales tax must be collected by the school and remitted to the state of Maryland on the sales of all taxable merchandise (see MCPS Financial Manual, pp. 18-1, 18-2). Taxable merchandise includes yearbook, fund-raiser items, athletic student purchases, and other items that become the personal property of the individual making the purchase. We found that sales tax was collected and remitted only on yearbook sales. We recommend that the school move toward full compliance by working with sponsors to determine activities for which sales tax must be collected and ensure that prices are set appropriately to include the tax so that activities do not operate at a loss.

Summary of Recommendations

- Purchase documentation must be adequate to support disbursements (repeat);
- Purchase invoices and receipts must be annotated as “paid” to indicate disbursement was made;
- Funds collected by sponsors must be promptly remitted (repeat) intact with MCPS Form 280-34 to the financial specialist and promptly deposited;
- Field trips must be conducted in accordance with MCPS Regulation IPD-RA (repeat);
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser* (repeat);
- Donation to a charitable organization is prohibited unless a fund-raising activity is conducted for a specific charity and advertised as such with full disclosure, and the funds collected are promptly disbursed to the charitable organization;
- Monthly account history reports provided to sponsors must be affirmed for transaction correctness and returned to the financial specialist;
- Purchase card activity must comply with the MCPS *Purchasing Card User’s Guide*;
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA; and
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mr. Funk and Ms. Franklin. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations / Independent Activity Funds*, please provide a response to the Internal Audit office within 30 days of this report, with a copy to Dr. Christopher S. Garran, associate superintendent of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Dr. Zuckerman
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Mr. Sanderson
Dr. Garran
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen



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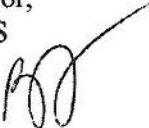
Principal's Office – (301) 649-2806
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Renay C. Johnson
Principal

April 20, 2015

MEMORANDUM

To: Mr. Roger Pisha, Supervisor,
Internal Audit Unit, MCPS

From: Renay Johnson, Principal 

Subject: Audit Response

Montgomery Blair High School is the largest high school in the county with over 2900 students and 290 staff. Despite having 700 more students than the next largest MCPS high school, we have one School Business Administrator and one Financial Specialist. I have stated for years that we are inadequately staffed for the volume of work that our financial office receives. In addition, our building is one of the most used ICB schools in the county. While I have allocated an additional secretary to support the financial office, her need to support the financial office leaves a void in the daily operations of the main office and all too often, phones go unanswered at Blair. With the volume of transactions received yearly in our financial office, I commend my staff for their hard work and dedication to Blair. They could obviously work at a smaller school with the same level of support, but they choose to remain at Blair.

In addition, Montgomery Blair High School is a Professional Development Schools with the University of Maryland College Park (UCMP). Every year, we host at least 35 interns as part of the partnership. These interns learn educational pedagogy from Blair's best teachers and they benefit our students immensely. The UMCP interns eventually become the teacher of record for our students, so they receive all of the same benefits as my staff, and as a result we often exceed the staff appreciation cap to ensure that all staff and interns feel appreciated.

Finally, I have requested to see a financial office model that would ensure that our small staff is working efficiently. With the largest, highly diverse school (serving students and families from over 88 nations) in the county, it is challenging to meet the needs of all stakeholders with the current model, complete their work on time and leave at the end of their duty day.

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[Signature]

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Findings and Recommendations	Description of Resolution	Person(s) Responsible	Timeline	Evidence of Completion
Improve controls on disbursements including written preapproval process and provide adequate documentation.	Staff were retrained as part of 2014 pre-service. Additional training will be provided during 2015 pre-service. Document training and hold staff accountable for following the required process. Non-compliant staff reported to Principal for follow-up and possible revocation of privileges. All resource teachers will be asked to prepare 2015 budgets for principal's pre-approval. "Paid" will be marked on actual receipt instead of paper. Secretary assigned to support the financial specialist with transaction completion and review of account records in September 2014.	Business Admin. Financial Specialist Principal Secretary	August 2014 August 2015 On going On going	Training records and account records Controls in place Account records
Improve cash control procedures. Funds must be remitted promptly by sponsors.	Staff were retrained as part of 2014 pre-service. Additional training will be provided during 2015 pre-service. Document training and hold staff accountable for following the required process. Non-compliant staff reported to Principal for follow-up and possible revocation of privileges. Accounts frozen. Secretary assigned to support the financial specialist with cash control procedures in September 2014.	Business Admin. Financial Specialist Principal Secretary	August 2014 August 2015 On going On going	Training and account records Controls in place Account records
Enhanced controls and accountability for field trips.	Process enhancements made and implemented for 2014 school year. Clarified required documents and the closeout process and added new items to the checklist to improve accuracy and accountability. Communicated and retrained staff as part of 2014 pre-service. Retraining scheduled for 2015 pre-service.	Business Admin. Financial Specialist Business Admin. Financial Specialist	Summer 2014 August 2014 August 2015	Controls in place Training Records
Enhanced controls and accountability for fund raisers.	Revised and enhance workflow to improve approval and closeout process. Communicated individually with fund raiser sponsors. Communicate and retrain staff as part of 2015 pre-service.	Business Admin. Financial Specialist Business Admin. Financial Specialist	September 2014 August 2015	Controls in place Training Records
Improved accountability for sponsors of school activities.	Monthly reconciliation reports to sponsors issued and received by Secretary.	Secretary	September 2014	Controls in place
Enhance controls and accountability for use of purchase cards.	Non-compliant staff reported to Business Administrator for follow-up and possible revocation of privileges. Accounts frozen if necessary. Implemented new MasterCard process established by MCPS/JP Morgan. Trained employees regarding the online reconciliation process and resolved outstanding issues.	Business Admin. Financial Specialist Principal	On going Fall of 2014	Controls in place Controls in place
Improved control of admission receipts.	Communicate and retrained all staff members in proper process for sale and control of admission tickets. Distribution, review and closeout performed by secretary.	Business Admin. Financial Specialist Secretary	September 2014	Controls in place
Improve controls and accountability for sales tax.	Process enhancements made and implemented for 2014 school year. Clarified requirements with sponsors. Modified workflows and documents to improve accuracy and accountability.	Business Admin. Financial Specialist	September 2014	Controls in place