


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

December 30, 2013

MEMORANDUM

To: Mrs. Khadija F. Barkley, Principal
Roberto Clemente Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2011, through October 31, 2013

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 December 20, 2013, with you, Mr. Joel Beidleman, assistant principal, and Ms. Theresa Shull, financial specialist, we reviewed the status of the conditions described in our prior audit report dated November 15, 2011, and the status of present conditions. We noted the progress made to improve conditions described in our previous report, such as the proper treatment of petty cash funds, the cancellation of a contract that posed a conflict of interest, and the improvements in the accounting for and the pricing of field trips. 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. Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the financial specialist together with MCPS Form 280-34, *Remittance Slip*, on the day the funds are received. We again found instances in which staff collecting money held funds rather than remitting them timely to the financial specialist. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual p. 7-4).

Cash may be used to establish a change fund to aid in the sale of items or tickets. At all times, the cash on hand must equal the authorized amount of a change fund. When the requirement for the change fund is concluded, the cash is returned to the financial specialist and receipted into the appropriate IAF account. All school change funds must be closed no later than the end of the fiscal year. We again found that change funds being used did not comply with MCPS requirements. They were created by checks issued directly from an activity account rather than from a separate change fund account. The cash for these change funds was not receipted separately from the activity funds, which made it impossible to assure that all such cash had been returned. We recommend change fund usage be brought into compliance with requirements (see MCPS Financial Manual, p. 7-6).

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54, *Request for a Purchase*. After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the financial specialist. In our sample of disbursements, we found prior approval was not consistently obtained. Some disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always annotated by the receiver. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-5).

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Completion reports were missing or did not include the total number of items for sale, selling prices, or remaining inventories. It was not possible to determine whether all sums collected were remitted to the financial specialist. Completion reports also were not signed by you to indicate your review. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

Summary of Recommendations

- Funds collected must be promptly remitted by sponsors to the financial specialist (repeat);
- Change fund usage must be in compliance with MCPS requirements (repeat);
- Purchase requests must be approved by the principal prior to procurement;
- Adequate documentation must be provided to support disbursements;
- Purchase documents must be annotated to indicate satisfactory receipt of goods or services; and
- Fundraiser completion reports prepared by sponsors must provide sufficient information to analyze results.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Ms. Shull. 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. Darryl L. Williams, associate superintendent of middle schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Mr. Sanderson
Dr. Williams
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

January 30, 2014

MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From: Khadija F. Barkley, Principal
Joel Beidleman, Principal Intern

Subject: IAF Audit Response

This memorandum serves as the audit report response concerning the audit of October 1, 2011 through October 31, 2013. The findings and recommendations of the December 30 audit report received from Roger W. Pisha, Supervisor, Internal Audit, delineates four areas where Roberto Clemente Middle School was not in compliance with Montgomery County Public Schools (MCPS) policies and procedures and effectiveness of IAF management. The report additionally noted that there were significant improvements in the controls implemented over petty cash funds, contracts, and field trip accounting and pricing practices. Below are current areas of concern and the school's plan to remediate these areas.

I. Sponsors Holding Funds

The audit report found that there were several instances in which activity sponsors collecting money held funds rather than remitting them in a timely manner to the financial specialist. As a result of this finding, staff will participate in an in-service activity that will review the *MCPS Financial Manual* paying particular attention to page 7-4 which sets forth guidelines regarding remitting funds. In addition, along with providing the standard forms, the financial specialist will create a checklist for sponsors and attach this list to the front of the sponsor folder at the start of each activity.

II. Change Fund

The report discovered that change funds were created by checks issued directly from an activity account rather than from a separate change fund account. The cash for these change funds were not receipted separately from the activity funds, making it impossible to assure that all cash had been returned. A change fund has been established and its usage meets *MCPS Financial Manual* requirements. The financial specialist will continue to monitor this fund to assure proper processes are in place. This will ensure that all funds generated from activities utilizing change funds are appropriately remitted.

III. Request for Purchases

The audit report also finds that prior approval was not consistently obtained. Therefore, staff will participate in an in-service activity reviewing the *MCPS Financial Manual*, particularly p.20-5. The financial specialist will include a checklist to staff sponsoring activities to include this requirement. A sign stating this will be posted in the Finance Office as a constant reminder to staff. Additionally, the financial specialist will closely monitor receipts to assure proper documentation of the purchase/goods received meet MCPS requirements.

IV. Fund Raising

The report indicated that completion reports were missing or did not include all required information making it difficult to determine whether all sums collected were remitted. Also, completion reports were not signed by the principal. During the audit, the financial specialist worked closely with the auditor to better understand these requirements. The financial specialist was not aware of an updated completion report prior to the audit therefore outdated versions of the completion report were being used. The revised completion report will be included in all subsequent fundraising folders, the financial specialist will review the documents; returning them to the sponsors for complete/correct information and present each report to the principal for review and signature at the conclusion of the activity.

KFB/

Copy to:

Dr. Williams, associate superintendent

Ms. Shull, financial specialist

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