

Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

February 4, 2013

MEMORANDUM

To: Mr. Robert G. Domergue, Principal
Damascus High School

From: Roger W. Pisha, Supervisor, Internal Audit *RWP*

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2011, through November 30, 2012

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 24, 2013, with you, Mrs. Kerri Pitts, business administrator, and Mrs. Pamela Dunn, financial specialist, we reviewed the status of the conditions described in our prior audit report dated September 1, 2011, and 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

Budgets may be used to obtain principal approval prior to proceeding with intended purchases (see MCPS Financial Manual, p. 20-4). A sponsor obtains principal approval by preparing a budget for a specified time period, not to exceed one fiscal year, that details expected income and expense for that time period. Although the athletic department had prepared a budget, the actual expenditures exceeded projected expenditures. When a budget is used, we recommend that in addition to containing income and expenditure projections when initially approved, it also be monitored monthly

by the financial agent to compare projections with actual results, and that the financial agent bring to your attention any variance that would necessitate amending the budget.

During our review of cash receipts, we again found that some staff collecting funds were holding rather than remitting them timely to the financial specialist. We also noted that the financial specialist was holding obligation funds paid by students instead of depositing them each day received. Remittances received should be promptly deposited into the school's bank account. The maximum amount of remittances that may remain on school premises depends on whether they are secured in a combination safe or locked cabinet. Large and infrequent deposits increase the possibility of loss of funds as well as decrease the school's ability to fund activities. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the financial specialist daily and promptly deposited (see MCPS Financial Manual, p. 7-4). In addition, all remittances on hand must be deposited before each weekend or holiday.

The monthly bank statement reconciliation which is prepared by the financial specialist using the bookkeeping program was being reviewed by the school business administrator. However, the manual reconciliation by a staff member independent of financial operations was not being done. You should receive both reconciliations for review to assure they are in agreement before signing them and having them filed with other monthly reports. We recommend adding the independent checking account reconciliation to the monthly report process to strengthen internal controls (see MCPS Financial Manual, pp. 20-8, 20-25).

Summary of Recommendations

- Budgets must be monitored to compare income and expense projections to actual results;
- Funds collected must be promptly remitted by sponsors to the financial specialist (repeat) and promptly deposited into the bank; and
- Monthly independent checking account reconciliation must be performed.

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 office within 30 days of this report, with a copy to Dr. Darryl L. Williams, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

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

Fiscal Management Action Plan

School: Damascus High School

Principal: Robert Domergue

Approved by community superintendent: Raymond Williams

Date of approval: 3/2/13

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Athletic Budget—Actual expenditures exceeded projected expenditures.</p> <p>Recommendation: "Budgets must be monitored to compare income and expense projections to actual results."</p>	<p>The principal currently meets weekly with the athletic director to discuss items regarding the athletic program. While budget items are often discussed, efforts will be made to monitor budget details on a more frequent basis. At a minimum, this review will be done on a monthly basis.</p> <p>In addition, the athletic director will be more vigilant about maintaining the budget and will revise it for approval as needed.</p>	<p>Preliminary discussions have already taken place with the athletic director.</p> <p>The athletic budget will be amended as needed.</p> <p>Monitoring will be done on a monthly basis.</p>	<p>Completion of this recommendation will be reflected through a review of the athletic budget, which will indicate that the budget is being updated to reflect actual income and expenditures.</p> <p>Further, the files will contain an amended budget if actuals exceed projections.</p>
<p>Cash Receipts—Found that some staff were not remitting funds timely to the financial specialist. Also, the financial specialist was not depositing student obligation funds the same day received.</p> <p>Recommendation: "All funds collected should be remitted to the financial specialist daily and promptly deposited."</p>	<p>Instances of staff holding funds have been addressed by the financial specialist, and the issue is being administratively supported. In addition, we will continue to inform staff regarding the importance of proper remittance.</p> <p>The financial specialist is now depositing student obligation payments on a daily basis.</p>	<p>Corrective action for these findings has been completed, and we will continue to educate sponsors on proper remittance procedures.</p>	<p>Completion of this recommendation will be reflected through deposit and receipt records, which will indicate timely processing.</p>

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Monthly Bank Statement Reconciliation—The financial specialist has been preparing the reconciliation through the software program, which the school business administrator has been reviewing. However, it was found that an independent reconciliation is not being performed manually.</p> <p>Recommendation: "Monthly independent checking account reconciliation must be performed."</p>	<p>Currently, the principal, school business administrator and financial specialist have periodic meetings to review the general ledger report in detail as well as to discuss the general health of our checking and savings accounts. A thorough review of the monthly bank reconciliation and its reports are also being completed by the school business administrator. A final review is being done by the principal.</p> <p>Damascus High School is part of the February implementation group for the SchoolFunds Online (SFO) program. This accounting program includes a bank reconciliation component, which the school business manager will be responsible for completing on a monthly basis. We will be in full compliance with this recommendation at that time.</p>	<p>The school business administrator will be completing the monthly independent bank reconciliation within the SFO program beginning in March 2013 (for the February bank statement).</p> <p>In addition, our current review procedures will remain in place to further strengthen internal controls.</p>	<p>Completion of this recommendation will be reflected through a review of the bank reconciliation records.</p>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.