


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

November 17, 2015

MEMORANDUM

To: Mrs. Jennifer L. Webster, Principal
Damascus High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2014, through September 30, 2015

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 November 6, 2015, 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 October 28, 2014, 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, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-4). 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. In our sample of disbursements, prior approval was not consistently obtained for purchases exceeding your established pre-approval amount. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by the principal at the time verbal

approval is sought. 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 and revised if you deem necessary.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the financial specialist together with MCPS Form 280-34, *IAF remittance slip*. We found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. 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.

MCPS Board of Education Policy JNA, *Curricular Expenses for Students*, requires all course-related fees charged students be approved by the Office of School Support and Improvement (OSSI). Fees are to be used to purchase items or materials that become the property of the students paying the fees. We noted balances accumulating in fee accounts indicating that students were either charged more than necessary or that the corresponding expenditures for materials were charged to other accounts. We recommend that care be exercised to ensure fees charged are commensurate with item expenses and recorded in the appropriate accounts.

Summary of Recommendations

- Purchase requests exceeding the established pre-approved amount must be approved by the principal prior to procurement;
- Funds collected by sponsors must be promptly remitted to and promptly deposited in the bank by the financial specialist; and
- Course fees should be commensurate with course expenses.

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 Mr. Brian W. Scriven, director of secondary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

Dr. Zuckerman	Mrs. Chen
Dr. Statham	Mrs. DeGraba
Dr. Navarro	Mrs. Milwit
Dr. Williams	Mr. Scriven

Fiscal Management Action Plan

School: Damascus High School

Principal: Jennifer Webster

Submittal Date: 12/14/15

Approved by associate superintendent: _____

Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Purchase Request Process—In the sample of disbursements, prior approval was not consistently obtained for purchases exceeding the established pre-approval amount. Certain sponsors would benefit from preparing an annual budget, which should be monitored and revised as necessary.</p> <p>Recommendation: "Purchase requests exceeding the established pre-approved amount must be approved by the principal prior to procurement."</p>	<ul style="list-style-type: none"> Sponsors receive information on independent activity fund (IAF) procedures, including the need for pre-approval over our specified amount. Sponsors have been reminded of this process and it will be continually reinforced. The business office has a folder on staff shared that includes procedural information and the request for purchase form. The financial specialist ensures this folder is kept current. When purchase requests are received, business office staff are scrutinizing requests more thoroughly to ensure pre-approval was sought if over the amount. If any are not in compliance, they will follow-up with the sponsor. If the principal approves the expense, it will be noted that pre-approval was not obtained with explanation as to the circumstance. As noted during our audit, some sponsors already have documented budgets. Other activities will be reviewed to determine if a budget might be appropriate to reduce the need for frequent pre-approval requests. 	<p>We will continue to educate sponsors on proper purchase request procedures.</p> <p>Budgets are generally prepared at the beginning of the school year or semester with revisions occurring throughout the year as needed.</p>	<p>Documentation, including pre-approved purchase requests for purchases exceeding the limit will provide evidence of completion.</p> <p>In circumstances where a budget was prepared, the budget as well as any revisions will be kept on file for future review.</p> <p>The staff shared folder for the business office will include current forms and procedural information.</p>
<p>Receipts and Deposits—Found that some sponsors were not remitting funds daily to the financial specialist. Using the remittance slip, sponsors should be making daily deposits, and the financial specialist should be promptly depositing them. Remittances on hand must be deposited before each weekend or holiday.</p>	<ul style="list-style-type: none"> Instances of staff holding funds have been addressed by the financial specialist, and the issue is being administratively supported. The financial specialist is aware of which sponsors should be making daily deposits and is following up with them appropriately. The financial specialist will continue to make prompt deposits. In her absence, the business administrator is usually able to make the bank deposit. 	<p>Corrective actions for these findings have been completed.</p> <p>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> <p>The staff shared folder for the business office will include current forms and procedural information.</p>

<p>Recommendation: "Funds collected by sponsors must be promptly remitted to and promptly deposited in the bank by the financial specialist."</p>	<ul style="list-style-type: none"> • Sponsors receive information on IAF procedures, including the importance of daily deposits. • The business office has a folder on staff shared that includes procedural information and the remittance form. The financial specialist ensures this folder is kept current. 	<p>An initial discussion has already taken place between the principal, business administrator, and financial specialist. Within the next month, a meeting will be held with the Career and Technology Education resource teacher to discuss potential changes to course fee amounts within the department.</p> <p>Future expenses will be reviewed and adjusted as necessary.</p>	<p>Completion of this recommendation will be evidenced by course fee amounts, appropriate course fee balances, and actual expenses charged to these accounts.</p>
<p>Course fees—Noted balances accumulating in course fee accounts, indicating students were either charged more than necessary or that material expenditures were charged to other accounts. Care should be exercised to ensure fees are commensurate with expenses and recorded in appropriate accounts.</p> <p>Recommendation: "Course fees should be commensurate with course expenses."</p>	<ul style="list-style-type: none"> • The principal will evaluate course fee amounts to ensure they are appropriate with course material needs. This will be done in consultation with business office staff and resource teachers. If any adjustments are necessary, appropriate action will be taken, including approval by the Office of School Support and Improvement (OSSI). • The financial specialist will remind IAF sponsors to charge appropriate expenses to course fee accounts. • During the IAF purchase request process, accounts and expenditures will be reviewed more closely and accounts will be questioned if necessary. • When approving orders in the Financial Management System (FMS), the business administrator will thoroughly review orders to ensure they are being charged to the correct account. 		

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