


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

September 13, 2013

MEMORANDUM

To: Mr. James G. Fernandez, Principal
Albert Einstein High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
September 1, 2012, through June 30, 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 August 29, 2013, with you, Mr. Donald Kress, acting director of school support and improvement of high schools, Mr. Simon Seaforth, business administrator, and Mr. Juan Ramos, financial specialist, we reviewed the status of the conditions described in our prior audit report dated November 29, 2012, 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

In your role as fiduciary agent for the IAF, you are obligated to ensure that the above stated requirements are met and that good business practices are implemented to document the raising and spending of funds. An essential aspect of your responsibility includes the monitoring of monthly reports for any negative account balances that, if discovered, should prompt you to investigate the cause and develop a plan to eliminate such balances in order to avoid potential financial insolvency of your IAF. Financial insolvency occurs if the subtraction of restricted memorial fund, club, class,

and other school sponsored activity account balances from the combined total of checking and CIF savings account balances results in a negative dollar amount. In our previous six audit reports beginning with July 19, 2006, your IAF corresponded to an insolvent financial condition. Although we noted an improving cash position from a negative \$23,018 in FY 2009 to a negative \$11,477 in FY 2011, we found that this trend began to reverse, and at the end of FY 2013 the cash position had deteriorated to a negative \$71,501 balance. We recommend that you implement a strategy to return your IAF to a sound financial position in collaborate with your financial staff to include development of a spending plan as well as a rigorous review process to ensure spending is limited to activities required for the ongoing operation of your school.

We again found some staff members who collected funds but did not remit them timely to the financial specialist. All sponsors did not fully complete all parts of the remittance slip with the actual date funds were remitted and the account number of where the funds should be recorded. 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 on a fully completed remittance slip and promptly deposited (see MCPS Financial Manual, p. 7-4). In addition, all remittances on hand must be deposited before each weekend or holiday.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Although many of the sponsors submitted fund raiser request forms, not all had sufficient information to evaluate the activity for approval. We found that the financial specialist usually completed the fund raiser completion report, rather than the sponsor. Most completion reports did not include the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to determine whether all sums collected were remitted to the 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 event. We recommend that prior to beginning fund raising activities, sponsors be advised of the information that must be provided to the financial specialist at the conclusion.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal (and community superintendent, when required), should be retained. We were unable to locate approval for two out of area or overnight trips conducted by the school.

Summary of Recommendations

- Collaborate with financial staff to develop a spending plan that includes a rigorous review process to ensure that spending is limited to activities required for the ongoing operation of the school (repeat);
- Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the financial agent for timely deposit to the bank (repeat);
- Fundraiser documentation must include both approval form and completion report (repeat); and

- Field trips out of area or overnight must be approved by associate superintendent and a copy of approval needs to be retained at the school.

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. Christopher S. Garran, associate superintendent of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

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

RECEIVED

OCT 10 2013

School: Albert Einstein High School

Approved by community superintendent: [Signature]

Fiscal Management Action Plan

Principal: James Fernandez

Date of approval: 10/15/13

(Including attached email)

Attachment

[Signature]

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Although we noted an improving cash position from a negative \$23,018 in FY 2009 to a negative \$11,477 in FY 2011, we found that this trend began to reverse, and at the end of FY 2013 the cash position had deteriorated to a negative \$71,501 balance. We recommend that you implement a strategy to return your IAF to a sound financial position in collaboration with your financial staff to include development of a spending plan as well as a rigorous review process to ensure spending is limited to activities required for the ongoing operation of your school.</p>	<p>At my direction the financial team has prepared a deficit reduction plan for FY-2014 which includes the following strategies:</p> <ul style="list-style-type: none"> • Preparation of a sources and uses of funds projection for FY-2014 • Allocate 1/3 of discretionary income to deficit reduction. • Reduction of FY-2014 expenditure by a more rigorous review & approval process based on necessity. • Completely liquidate the negative balance in account # 10.0001 Gym Floor • Apply all remaining revenues to deficit reduction in account # 10.0000 General Fund and any other accounts with negative balances. • Evaluate all inactive / dormant account for the purpose of realigning any residual balances consistent with the source of funding. • Aggressively evaluate and monitor all expenditures for compliance with approved budgets, including the athletic budget. • Monitor, evaluate and amend the strategies indicated above as appropriate to restore solvency to the IAF funds. 	<p>September 09, 2013 and continuing</p>	<p>Reduction of IAF deficits and progressive improvement toward solvency.</p> <p><i>Support / monitor - quantity used to see progress - Check w/ Roger</i></p>
<p>We found some staff members who collected funds but did not remit them</p>	<p>The procedure for conducting fundraisers was addressed during pre-service week with all staff.</p>	<p>August 26, 2013</p>	<p>Verification of notice of applicable procedures to sponsors and improved</p>

<p>timely to the financial specialist. All sponsors did not fully complete all parts of the remittance slip with the actual date funds were remitted and the account number of where the funds should be recorded.</p>	<p>The pre-service presentation, along with all other financial forms and procedures are posted on-line in the staff applications folder. Attached to the notification of approval, the financial specialist will provide a checklist for each fund raiser approved to remind the sponsors of the documentation required to be submitted to the finance office to facilitate reconciliation and analysis upon completion of the fundraiser, before presentation to the principal for signature.</p> <p>Staff has also been reminded to fill out remittance slips completely and remit funds to the finance office promptly. They were further advised to use the drop safe which was installed in the main office to deposit monies collected after the school day.</p>		<p>compliance with applicable policy.</p>
<p>Field trips approval forms signed by the principal (and community superintendent, when required), should be retained. We were unable to locate approval for two out of area or overnight trips conducted by the school</p>	<p>The procedure for conducting field trips was addressed during pre-service week with all staff. The pre-service presentation, along with all other financial forms and procedures are posted on-line in the staff applications folder.</p> <p>The financial specialist will attach a checklist for each field trip approved, to remind the sponsors of the documentation required to be submitted to the finance office to facilitate reconciliation and analysis upon completion of the field trip, before presentation to the principal for signature.</p>	<p>August 26, 2013</p>	<p>Verification of notice of applicable procedures to sponsors and improved compliance with applicable policy.</p>

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