


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 22, 2015

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
July 1, 2013, through March 31, 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 June 9, 2015, with you, 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 September 13, 2013, 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 our previous audit report, we noted that at the end of FY 2013 your school's IAF was in an insolvent financial condition having a negative cash position of \$71,501. The term financial insolvency describes the status when 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. We commend you and your business staff for reducing the negative cash position to \$13, 622 by the end of this audit period as a result of implementing a spending plan with rigorous oversight and ongoing review. Spending cuts have impacted support to programs and students; however, staff appear to be supportive of cost-saving measures. For example, athletic fields are maintained by school staff, rather than contracting with an outside vendor. We noted a negative impact on the school's account balances when funds received from an outside group were less than expected to offset the cost of a purchase already made. We recommend continued monthly review of financial reports, and that items in your spending plan to be procured with donated funds not be purchased until funds have been received.

The *Handbook for the Operation of School Stores* provides instruction and guidance for the operation of MCPS school stores. MCPS Form 281-25, *Statement of Profit or Loss*, which includes an analysis of results, should be prepared at the end of each school year. Although the Titan Hut is an ongoing business-like activity of the Academy of Finance students, accounting for the activity was found in the fund-raiser account group. Also, we found that students were handling money, tracking inventory, settling sales, and taking deposits to the financial office without an adult present to assist students. It appears that the financial specialist continues to provide much of the assistance to students in tracking sales and inventory. We recommend that the staff member who has responsibility for operation of the school store be present at all times when the store is open, and provide the necessary assistance to students.

Review of field trip activities revealed that although sponsors are providing cost and fee information as funds are collected and remitted, not all field trip sponsors are providing comprehensive financial information to the financial specialist at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the financial specialist when a trip is completed. The record of the names of participants and sums collected provides assurance that all field trip fees have been remitted. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. We noted one trip where it appears that some students may have overpaid based on errors in calculating balances due, and other trips were accounts were not timely reconciled and negative balances exist long after the activity occurred. We recommend that sponsors be required to submit cost and fee information to the financial specialist immediately after trips, more timely review of field trip payment activities, and prompt resolution of discrepancies (see MCPS Financial Manual, p. 20-10).

Summary of Recommendations

- Continue to follow spending plan (repeat), and ensure that items to be procured with donated funds not be purchased until funds are received;

- School store sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*;
- Students are authorized to handle school funds only while under the direct supervision of a staff member who is the account sponsor for the respective funds; and
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip.

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:DKH:sd

Copy to:

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

Fiscal Management Action Plan - Albert Einstein High School July 27, 2015

School: Albert Einstein High School

Principal: James Fernandez

Rayhaneh

J. Fernandez

Approved by *community* superintendent: _____

Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>In our previous audit report, we noted that at the end of FY 2013 your school's IAF was in an insolvent financial condition having a negative cash position of \$71,501. The term financial insolvency describes the status when the subtraction of restricted memorial fund, club, class, and other school sponsored activity account balances from the combined total of checking and CIP savings account balances results in a negative dollar amount. We commend you and your business staff for reducing the negative cash position to \$13,622 by the end of this audit period as a result of implementing a spending plan with rigorous oversight and ongoing review. Spending cuts have impacted support</p>	<p>Under my oversight, the financial staff will continue the strategies employed over the past two years which have resulted in improvement of the insolvent condition noted in previous audits, including the following:</p> <ul style="list-style-type: none"> • Preparation of sources and uses of funds projection to plan and monitor expenditures. • Allocate appropriate percent of income to deficit reduction in the general fund account # 0010.0000. • Monitor, evaluate and amend spending plan appropriately in light of student needs and targeted deficit reduction. • Evaluate current and potential sources of funds to identify opportunities to increase income. <p>Person Responsible: Principal and financial team.</p>	<p>Immediately and continuing</p>	<p>Reduction in deficit balances and progressive movement toward solvency.</p>

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<p>to programs and students; however, staff appear to be supportive of cost-saving measures.</p>			
<p>The <i>Handbook for the Operation of School Stores</i> provides instruction and guidance for the operation of MCPS school stores. MCPS Form 281-25, <i>Statement of Profit or Loss</i>, which includes an analysis of results, should be prepared at the end of each school year. Although the Titan Hut is an ongoing business-like activity of the Academy of Finance students, accounting for the activity was found in the fund-raiser account group. Also, we found that students were handling money, tracking inventory, settling sales, and taking deposits to the financial office without an adult present to assist students. It appears that the financial specialist continues to provide much of the assistance to students in tracking sales and inventory. We recommend that the staff member who has responsibility for operation of</p>	<p>The Titan Hut operation will be reviewed with the financial staff and Academy of Finance personnel to evaluate the objectives of the activity in relation to the intended academic objectives.</p> <p>Subsequent to the review, a decision will be made to address the findings mentioned in this report as well as whether the academic objectives were being achieved and possible alternative courses of action.</p> <p>Additionally, a review of the feasibility of the staffing requirements mentioned in this report will inform the decision to continue the Titan Hut operation and bring it into compliance with the procedures outlined in the <i>Handbook for the Operation of School Stores</i>, or pursue another means of achieving the academic requirements of the <i>Academy of Finance</i> and the income stream.</p> <p>Person Responsible: Principal, financial team, Academy of Finance RT, Athletic Director.</p>	<p>Prior to opening The Titan Hut for the 2016 school year.</p>	<p>Compliance with the findings of this audit report and procedures outlined in the <i>Handbook for the Operation of School Stores</i></p>

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<p>the school store be present at all times when the store is open, and provide the necessary assistance to students.</p>			
<p>Review of field trip activities revealed that although sponsors are providing cost and fee information as funds are collected and remitted, not all field trip sponsors are providing comprehensive financial information to the financial specialist at the completion of a trip. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, <i>Field Trip Accounting</i>, or equivalent, and submit the data to the financial specialist when a trip is completed. The record of the names of participants and sums collected provides assurance that all field trip fees have been remitted. We recommend all sponsors be required to use Form 280-41, or equivalent, and follow the procedures outlined above. We noted one trip where it appears that some</p>	<p>During the annual pre-service meeting, financial procedures are reviewed and the PowerPoint presentation is made available yearlong in the on-line "Financial Operations Manual" folder for reference.</p> <p>Although field trip procedures are discussed every year as mentioned above, in presentation to staff this year, the findings of this report will be particularly emphasized.</p> <p>The financial staff will monitor forms for completeness, timely submission and compliance with field trip procedures. The finance staff are further directed to report violations of the said procedures to the appropriate administrator for action, after reasonable attempt to reconcile such reports with the staffer.</p> <p>Person Responsible: Financial staff, administrators and sponsors.</p>	<p>2016 Pre-service Meeting and continual monitoring</p>	<p>Compliance with field trip procedures re: MCPS Financial Manual, p. 20-10).</p>

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<p>students may have overpaid based on errors in calculating balances due, and other trips were accounts were not timely reconciled and negative balances exist long after the activity occurred. We recommend that sponsors be required to submit cost and fee information to the financial specialist immediately after trips, more timely review of field trip payment activities, and prompt resolution of discrepancies (see MCPS Financial Manual, p. 20-10).</p>			
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Note: A copy of the approved plan is to be sent to the Internal Audit Office, URSC suite 3380