


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

January 13, 2015

MEMORANDUM

To: Dr. Arthur Williams, Principal
Forest Oak Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2013, through October 31, 2014

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 12, 2015, with you and Ms. Nicole Kimball, financial specialist, we reviewed the status of the conditions described in our prior audit report dated May 23, 2013, and discussed further actions needed to strengthen the accountability for IAF resources. It should be noted that Ms. Kimball began her position on November 5, 2014, after the end of the audit period. Her work was not the subject of this audit. 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

Contributions to a charitable organization are prohibited, unless funds have been contributed by students for a specific charity. Such fund-raising must have been approved by the principal and advertised as such with full disclosure. Appropriately raised contributions should be disbursed to the designated charity as soon as possible after conclusion of the collection time period (see MCPS Financial Manual, p. 20-6). We again noted disbursements of funds to charitable organizations, with no fund-raiser approvals or advertisements on file. We recommend sponsors of charitable fund-raisers indicate the benefiting organization on the fund-raiser approval request form and in all advertisements, and that the donation made to the charitable organization be limited to the amount collected.

In addition to the above previously identified condition, other weaknesses in controls need to be strengthened. Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account history report for each month in which transactions have been recorded in their accounts, and be required to verify that transactions have been correctly recorded. We were unable to locate evidence of sponsor review for several accounts or of a tracking system to assure all sponsors returned their verified reports. We recommend sponsors be required to review, resolve any account discrepancies, and return the signed reports to the financial specialist. We also recommend a procedure be established to ensure that all reports are reviewed and returned (see MCPS Financial Manual, p. 20-9).

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the financial specialist. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (see MCPS Financial Manual, p.7-4). We noted that some staff members held fees collected rather than remitting them to the financial specialist on a daily basis. We also noted that the former financial specialist was not always making deposits before each weekend or holiday. To minimize the risk of loss, all funds collected should be remitted daily. We recommend staff be encouraged to submit cash and checks collected for IAF activities to the financial specialist for prompt deposit in accordance with MCPS policy and procedures.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. We found that there was a lack of adherence to these guidelines. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund-raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund-raising activity should be recorded in a separate account in the 7000 series and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-12).

Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, students who did not participate in the trip, and students who

received waivers, scholarships or reduced fees. This data should be submitted to the finance office at the completion of each trip, and compared to remittances recorded in the trip account history report. The data should also be used to estimate future trips. A copy of the trip's approval form, signed by the principal and associate superintendent when required, should be on file in the finance office. We found that not all sponsors submitted complete data at the conclusion of each trip, and that data was not compared to the final account history report. We also found instances in which trip approval forms were not on file. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, and provide complete data at the conclusion of each trip. This data must be reconciled with remittances recorded in activity accounts. We further recommend the financial specialist receive a copy of all signed trip approval forms (see MCPS Financial Manual, p. 20-9).

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides requirements for the accounting for sales of admission tickets. We found that MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, was not always prepared correctly. Other weaknesses included the comingling of concession and ticket sale receipts, use of the same color tickets for consecutive nights of an event, and failure to use a different color ticket for complimentary admissions. We recommend that admission to all events be controlled in accordance with the above cited regulation.

Summary of Recommendations

- Donation to a charitable organization is prohibited unless a fund-raising activity is conducted for a specific charity and advertised as such with full disclosure (repeat);
- Monthly account history reports provided to sponsors must be affirmed for transaction correctness and returned to the financial agent;
- Funds collected must be promptly remitted intact with MCPS Form 280-34 to the financial specialist and promptly deposited with the bank;
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser*;
- Field trip records prepared by sponsors must be complete, include comprehensive data to account for all students eligible to participate, and facilitate the reconciliation of funds collected with costs of the trip; and
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Ms. Kimball. 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. Navarro
Dr. Statham
Mr. Sanderson
Dr. Williams
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Forest Oak Middle School

651 Saybrooke Oaks Blvd.
Gaithersburg MD 20877
Phone: 301-670-8242
FAX: 301-840-5322



Where Cougar Pride Reigns
OFFICE OF THE PRINCIPAL

January 27, 2015

MEMORANDUM

To: Roger W. Pisha, Supervisor, Internal Audit

From: Dr. Arthur Williams, Principal

Subject: Response to Audit Report April 1, 2013 through October 31, 2014

We appreciate the time that was taken to evaluate Forest Oak's financial records to ensure that we are adhering to MCPS financial policies. This was especially valuable since we have a new financial specialist that was able to learn from this audit.

We would like to clarify one audit finding that we do not feel accurately reflects our financial practices. This finding stated, "Donation to a charitable organization is prohibited unless a fundraising activity is conducted for a specific charity and advertised as such with full disclosure." This recommendation referred to our annual talent show which shares profits with Linkages to Learning. This event and practice is a Forest Oak tradition and all our advertising methods detail that proceeds are shared with Linkages to Learning. Some of our advertising methods include sending out a *connect ed* message, flyers, and talent show pamphlet. In the future, we will retain one of these items for proof of full disclosure.

Please see our attached Audit Action Plan.

AW:aw

Copy to:

Dr. Darryl L. Williams, Associate Superintendent
Mrs. Nicole Kimble, Financial Specialist

Forest Oak Middle School

Fiscal Management Action Plan 2015

School: Forest Oak Middle School

Principal: Dr. Arthur Williams

Approved by: Associate Superintendent Darryl L. Williams



Date of approval: 1/28/15

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>-Internal Audit noted that student funds had been used to make a charitable contribution.</p> <p>-Monthly account history reports must be verified by sponsors and returned to financial specialist to keep on file</p>	<p>-Principal and Financial Specialist will not donate again unless the specific guidelines are followed.</p> <p>-A log of sponsors will be kept and sponsors will be checked off as their acknowledgement is received. Follow up will be done with sponsors who have not acknowledged reports within 5 days of receipt. In addition to these measures, financial specialist will provide a detailed orientation during summer leadership week and pre-service week regarding financial matters.</p>	<p>-Immediate and on-going to correct this finding.</p> <p>-Immediate and on-going to correct this finding.</p>	<p>-No charitable donations will take place unless funds have been raised specifically for that purpose.</p> <p>-All sponsor reports and acknowledgements will be on file in financial reports binder with completeness verified monthly.</p>
<p>-Funds must be remitted daily with MCPS form 280-34 to financial specialist who will promptly deposit in bank.</p>	<p>-The financial specialist spoke at a leadership meeting on January 9, 2015 to reinforce financial office procedures which included daily remittance of money. A handout was given which detailed financial office procedures and where forms were located on Tshared. The financial specialist will promptly deposit money. Regardless of amount, all money received will be deposited on Fridays and the day before a holiday. In addition to these measures, financial specialist will provide a detailed orientation during summer leadership week and pre-service week regarding financial matters.</p>	<p>-Immediate and on-going to correct this finding.</p>	<p>-Sponsor remittances will be made daily as received to the financial specialist and promptly deposited in the bank.</p>
<p>-Fund-raising must conform to Guidelines for Sponsoring an IAF Fund-Raiser.</p>	<p>-A fundraising packet has been compiled and is available on Tshared and in a box outside the financial specialist's office. An overview sheet was compiled so that sponsors know what is expected of them. The financial specialist promptly closes field trip and reviews individual fundraising folders to ensure compliance. In addition to these measures, financial specialist will provide a detailed orientation during summer leadership week and pre-service week regarding financial matters.</p>	<p>-Immediate and on-going to correct this finding.</p>	<p>-All fundraising approvals, completion reports, and supporting documentation will be on file in each fundraiser folder.</p>
<p>-Field trip records prepared by sponsors must be complete, included</p>	<p>-A school-wide field trip form has been employed. This form includes a checklist of forms that sponsors need to fill</p>	<p>-Immediate and on-going to correct this finding.</p>	<p>-All field trips have field trip accounting form or equivalent on file along with a</p>

Forest Oak Middle School

<p>comprehensive data to account for all students eligible to participate, and facilitate the reconciliation of funds collected with costs of the trip</p>	<p>out depending on the type of trip they are planning. In the electronic version, hyperlinks to the subsequent documents are included. The financial specialists provides written instructions, verbal direction, and ongoing support for sponsors of field trips so that they are aware of what is expected. Processes and documents were revised to provide more detail and clarity. Immediately after the trip a field trip accounting must be submitted and the financial specialist compares sponsor data with IAF account history. In addition to these measures, financial specialist will provide a detailed orientation during summer leadership week and pre-service week regarding financial matters.</p>		<p>copy of the IAF account history report to evaluate trip.</p>
<p>-Admission events must be conducted in accordance with MCPS Regulation DMB-RA.</p>	<p>-Admission managers will be given different color tickets that represent all admission fee amounts, including complimentary. Before ticketed events the financial specialist will go over the importance of ticketing accuracy. In addition to these measures, financial specialist will provide a detailed orientation during summer leadership week and pre-service week regarding financial matters.</p>	<p>-Immediate and on-going to correct this finding.</p>	<p>-Admission ticket report will accurately detail ticket admissions and receipts.</p>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, URSC suite 3380