


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

September 7, 2016

MEMORANDUM

To: Mr. Shahid A. Muhammad, Principal
Forest Oak Middle School

From: Roger W. Pisha, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2014, through July 31, 2016

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 the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The 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 the 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 September 1, 2016, with you and Ms. Nicole M. Kimball, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated January 13, 2015, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2016. 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. 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. After the purchase is completed, the purchaser must submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the school financial specialist (refer to the *MCPS Financial Manual*, chapter 20, pp. 6–7). In our sample of disbursements, we found prior approval was not always obtained when required, invoices were not always signed by the receiver, or stamped or marked “paid” after disbursement. We recommend that MCPS Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought for allowable expenditures, and that complete annotated documentation be attached to fully explain the reason for the purchase. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (refer to the *MCPS Financial Manual*, chapter 20, page 4).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although sponsors are submitting a fund-raiser request form for your approval to conduct an activity, they are not always submitting a completion report at the conclusion of the activity so that results could be evaluated. A completion report for an activity involving the sale of items should include the total number of items for sale and cost of each, selling prices, and any remaining inventories to determine whether all funds collected were remitted to the school 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 activity.

Admission receipts for school events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. These events must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50: *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets. For ticketed events, the forms on file appeared to have been initiated after the conclusion of the activity, rather than when tickets were issued by the ticket controller to the admissions manager. In many instances, the dates indicated on the forms signed by the ticket controller, admissions manager, and report auditor do not appear to be the actual dates the related tasks had been completed. We also noted that when selling tickets on multiple day, there was only a final ticket report on file, instead of a record of each day’s sales. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events.

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results (**repeat**).
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (**repeat**).

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 Unit within 30 calendar days of this report, with a copy to Dr. Michael J. Zarchin, director of school support and improvement of middle schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Williams

Mrs. Camp

Mrs. Chen

Mrs. DeGraba

Ms. Diamond

Dr. Zarchin

Mr. Ikheloa



Where Cougar Pride Reigns

OFFICE OF THE PRINCIPAL

October 17, 2016

MEMORANDUM

To: Mr. Roger Pisha, Internal Audit Supervisor
 From: Shahid Muhammad, Principal
 Subject: Response to Audit Report November 1, 2014-July 1, 2016

I have reviewed the Report on Audit of Independent Activity Funds for the Period November 1, 2014 through July 1, 2016 for Forest Oak Middle School and submit the following action plan to resolve these findings

Fiscal Management Action Plan

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Purchase requests must be approved by the principal prior to procurement	Staff with spending authorizations will have a memo from the principal on file in the financial office to document their permissions. Any expenses submitted without pre-approval or fiscal year spending authorization will receive a letter from the principal reminding them of the approval process. This letter will be kept on file in the financial office. Staff members are made aware of the pre-approval requirement and other financial office procedures during the financial specialist's pre-service presentation which also includes printed material for reference. No disbursements will be made without pre-approval or reminder memo from principal with the pre-approval process if the principal decides to grant the reimbursement. The memo will be signed by the requestor and attached to the check documentation.	Immediate and ongoing	This letter with signature of acknowledgment will be required for all non-pre-approved purchases that the principal decides to allow.
Purchaser must confirm receipt of good or services prior to disbursement	IAF sponsors have been notified that they are required to visually show on invoices that they actually received the items they are approving for payment. They will acknowledge receipt by signing the top of the invoice. When the financial specialists goes into the SFO system to make payments, the paid stamp will be in hand. The financial specialist will require signature by receiver on the invoice in order to process	Immediate and ongoing	No disbursements will be made without written confirmation from the receiver in the form of a signature on

	payment. After verifying, the financial specialist will immediately stamp the invoice with "paid" stamp.		the invoice. Afterwards all invoices will be stamped "paid."
Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results	Upon approval of a fundraiser, sponsors are given a fund-raiser guide packet and verbal reminders that upon the fundraiser's completion, a completion report must be submitted. The financial specialist will make sure that the report is complete and detailed so that an accurate and thorough analysis can be completed. Reminders will be given weekly to sponsors. If after 3 attempts the financial specialist is unable to get the sponsor to comply, the principal will be cc'd on the emails and if necessary, address the sponsor.	Immediate and ongoing	Fund-raisers will not be closed until the fund-raiser completion report is accurately submitted.
Admission events must be conducted in accordance with MCPS Regulation DMB-RA	Signed copies of the Tickets and Cash Report of Admissions Manager will be kept on file with a new form being issued for each day of ticket sales.	Immediate and ongoing	Admission tickets will be checked in to the financial office daily and a new form will be issued to reflect the remaining tickets.

Please let me know if any further response is needed regarding the audit recommendations.
Thank you for providing this service to Forest Oak Middle School.

Copy to: Dr. Darryl Williams, Associate Superintendent
Dr. Michael Zarchin, Director of School Performance
Ms. Sandra Keating, Administrative Secretary, Forest Oak MS