


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 10, 2014

MEMORANDUM

To: Ms. Yolanda Stanislaus, Principal
Francis Scott Key Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2012, through March 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 May 22, 2014, with you, and Ms. Denise Eden, financial specialist, we reviewed the status of the conditions described in our prior audit report dated September 12, 2012, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2013. This audit report presents the findings, many of which occurred prior to your appointment, and recommendations resulting from our examination of the IAF records and financial accounts for your school for the period designated above.

Findings and Recommendations

Sponsors of school activities which involve the collection or disbursement of IAF should be provided a statement for each month in which transactions have been recorded in their accounts and be required to verify that the entries were accurately recorded. We found some accounts did not have sponsors designated, or the designation was a department rather than a named sponsor resulting in no individual assigned responsibility for these accounts. Although the financial specialist used a checklist to monitor reports returned, it did not appear that a process was in place to follow up with sponsors who did not return reports as required. We recommend the financial specialist develop a

process to ensure that all active accounts have sponsors designated by name, and that all reports printed and distributed each month to sponsors of accounts with activity are reviewed and returned (see MCPS Financial Manual, p. 20-9).

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54, *Request for a Purchase*. After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the financial specialist. Purchases must adhere to IAF procedures with regard to required approvals, proper funding sources, and allowable uses of funds. We again found instances in which controls over purchases were weakened. Invoices were not annotated by recipients to indicate purchased goods or services were satisfactorily received, documentation was missing or not adequate to assure the school benefited from some purchases, the former principal did not obtain approval of the Chief Operating Officer before signing a contract with potential liability for a school event, and some purchases were prohibited. Action is needed to correct these conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-5).

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. Card members must record purchases on transaction logs, sign the logs to certify completeness and compliance, and submit the logs monthly with invoices and receipts attached for timely review and approval by the principal. While we noted that documentation for IAF purchases cards was generally complete, the logs did not document whether the purchases were for students or staff. We did not find logs for any "03" instructional materials purchase cards on file, and we found that "03" cards had been used to purchase non-instructional items. Action is needed to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. We again found weaknesses in controls over the school's fund-raising activities. We did not find signed fund-raiser requests on file for all fund-raising activities, especially charity drives. Staff were not all using the current version of the completion report, and 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. One sponsor had reimbursed herself from the proceeds, rather than submitting invoices to the financial specialist for reimbursement, so that records of purchases were not available for completing a reconciliation of the activity. Funds collected for a charity in March 2012 were not disbursed to the benefitting organization until additional funds were collected in March 2013, and another charity fund-raiser account has been in the negative since November 2013. In addition, we noted T-shirt sales recorded directly into the SGA account as well as other clothing sales for a fund-raiser closed in the prior year using the ending inventory that had not been reported for the prior year. 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.

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged as well as the number of books distributed free of charge (see MCPS Financial Manual, p. 20-11). The records kept by the sponsor for the FY 2013 yearbook did not enable us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. We

were therefore unable to determine that all funds generated from this activity had been remitted. In addition, we could not locate the final invoice in the school and discovered that the final payment had not been disbursed to the vendor. MCPS Form 281-25, *Statement of Profit or Loss*, did not include the amount payable, and as a result, overstated the profit. Sales tax was incorrectly paid on the cost of all books, rather than on the sales price of only the books sold, resulting in an overpayment of \$103. We recommend staff review procedures for operating the yearbook activity.

Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships, or reduced fees. This data should be provided to the financial specialist at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also should be used to estimate future trips. We again found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared by the financial specialist to the final account reconciliation report. Fee collection information found on file in the financial office was often incomplete and did not include the amount collected or date paid. Also, we noted some transactions from unrelated accounts comingled in field trip accounts and remaining balances from trips were sometimes carried over to the following year. We again recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip for analysis by the financial specialist. We further recommend review by staff to ensure that account activity is accurate before closing accounts (see MCPS Financial Manual, p. 20-9).

Admission receipts for athletic and non-athletic events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admissions 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. It did not appear that the functions of the ticket controller, admissions manager, and report auditor were understood by staff, and it was not clear when duties were performed or by whom. For the Variety Show, the ticket form was used merely to list tickets sold and not as a reconciliation of tickets issued to tickets returned and recorded receipts. For basketball games, it appeared that the one ticket form was completed for the entire season, rather than as tickets were issued and returned for each game. In many instances, forms were not completed or could not be located, and a perpetual inventory of tickets had not been maintained. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, that all tickets be serially numbered and issued by the ticket controller for each event, and that a perpetual inventory is maintained.

Summary of Recommendations

- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial agent;
- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Purchase documentation must be adequate to support disbursements (repeat);

- Contracts involving liability or risk of injury require written authorization from the COO;
- Purchase card activity must be in compliance with the MCPS *Purchasing Card User's Guide* (repeat);
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* (repeat);
- Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, and ending inventory;
- 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 (repeat); 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. 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:DKH:sd

Copy to:

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

Francis Scott Key Middle School – Fiscal Management Action Plan

June 30, 2014

School: Francis Scott Key Middle School

Principal: Yolanda Stanislaus, Principal

Approved by: Dr. Darryl Williams, Associate Superintendent: 

Audit of Independent Activity Funds for the Period of July 1, 2012 – March 31, 2014 Findings and Recommendations	Description of Resolution and Person Responsible	Timeline	Evidence of Completion
<p>Finding #1: "We found some accounts did not have sponsors designated, or the designation was a department rather than a named person resulting in no individual assigned responsibility for these accounts. Although the financial specialists used a checklist to monitor reports returned, it did not appear that a process was in place to follow up with sponsors who did not return reports as required." Recommendation: "We recommend the financial specialist develop a process to ensure that all active accounts have sponsors designated by name, and that all reports printed and distributed each month to sponsors of accounts with activity are reviewed and returned (see MCPS Financial Manual, p. 20-9)."</p>	<p>The Financial Specialist closely monitor all active accounts. A checklist of monthly account history reports will be reviewed by sponsor and shared with principal. The Financial Specialist will communicate and reconcile any observed discrepancies. The Financial Specialist will document all communication with sponsors via email and communication log. The Financial Specialist will ensure that all account will reflect the name of the sponsor linked to the account.</p>	<p>Beginning May 2014</p> <p>Beginning June 2014</p>	<p>Exhibit 1, 2.</p> <p>Exh.b,t 3</p>

<p>Finding #2: Disbursement of IAF must be controlled in a number of ways. The purchaser should submit all invoices or documented evidence of purchase, annotated to indicate the satisfactory receipt of goods and services to the financial specialist. Approval for special purchases must be obtained by the Chief Operating Officer before signing a contract."</p> <p>Recommendation: "Correct conditions and bring purchasing into conformity with MCPS requirements (see MCPS Financial Manual, p. 20-5)."</p>	<p>The Financial Specialist will ensure that all invoices and receipts of goods and services are collected and carefully documented.</p> <p>The principal will ensure that appropriate approval for purchases are obtained prior to signing of contracts.</p>	<p>Beginning June 2014</p> <p>Beginning July 2014</p>	<p>Exhibit 4, 5</p>
<p>Finding #3: "Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS Purchasing Card Users Guide. Card members must record purchases on Transaction logs, and the logs to certify completeness and compliance, and submit the logs monthly with invoices and receipts attached for timely review and approval by the principal. While we noted that documentation for IAF purchases cards was generally complete, the logs did not document whether the purchases were for students or staff. We did not find logs for any "03" instructional materials purchase cards on file, and we found that "03" cards had been used to purchase non-instructional items.</p> <p>Recommendation: "Correct these conditions and bring purchasing card usage into conformity with MCPS requirements."</p>	<p>The Financial Specialist will prepare transaction logs for all Purchasing Card Users.</p> <p>The Principal will continue to monitor and sign all logs. The Financial Specialist will document whether the purchases were for students or staff. The Principal and the Financial Specialist will closely to ensure that monitor if the Purchase card logs for "03" account have been implemented, May 2014 according to the MCPS Purchasing Card Users Guide</p>	<p>Beginning May 2014</p>	<p>Exhibit 6a, 6b</p>

<p>Finding #4: "Fundraising at the school must conform to the Guidelines for Sponsoring an Independent Activity Fund Fundraiser. Staff were not all using the current version of the completion report, and 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. One sponsor had reimbursed herself from the proceeds, rather than submitting invoices to the financial specialist for reimbursement, so that records of purchases were not available for completing a reconciliation of the activity.</p> <p>Recommendation: "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."</p>	<p>Pre-service week will include presentation, training, and dissemination of materials/ guidelines to staff regarding facilitated by the Financial Specialist:</p> <ul style="list-style-type: none"> • Receipt of goods • Purchase documentation • Remittance of funds • Fund-raising Guidelines, conforming to the Guidelines for Sponsoring an Independent Activity Fund Fundraiser <ul style="list-style-type: none"> ○ The role of a sponsors regarding the importance of keeping detailed records for the activity • Field Trip guidelines and reporting <p>The Finance Specialist will continue to monitor the perpetual inventory of tickets. The new monitoring process was put in action following this audit finding, Spring 2014</p> <p>Admission receipts guidelines will be reviewed and controlled according to MCPS Regulation DMB-RA, Control of Admission Receipts</p>	<p>Beginning August 2014</p>	<p style="text-align: center;"><i>Exh. b.1 7</i></p>
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<p>Finding #5: The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged as well as the number of books distributed from of charge (see MCPS Financial Manual, p. 20-11). <i>Profit or Loss</i>, did not include the amount payable, and as a result, overstated the profit. Sales tax was incorrectly paid on the cost of all books, rather than on the sales price of only the books sold, resulting in an overpayment of \$103.</p> <p>Recommendation: "We recommend staff review procedures for operating the yearbook activity."</p>	<p>All sponsors will receive training from the Financial Specialist prior to taking on the responsibility. The Financial Specialist will ensure that all paperwork is completed including MCPS Form 281-25, <i>Statement of Profit or Loss</i>, if needed.</p>	<p>Beginning June 2014 Beginning August 2014</p>	<p>Exhibit 8 "SAMPLE OF DOES"</p>
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<p>Finding #6: Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, eligible students who did not participate in the trip and students who received waivers, scholarships, or reduced fees. This data should be provided to the financial specialist at the completion of each trip, and compared to remittances recorded in the trip account history report. We found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared by the financial specialist to the final account reconciliation report. Information found on file in the financial office was often incomplete and did not include the amount collected or date paid. Some transactions from unrelated accounts commingled in field trip accounts and remaining balances from trips were sometimes carried over to the following year.</p> <p>Recommendation: "We recommend trip sponsors use MCPS Form 280-41, <i>Field Trip Accounting</i>, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip for analysis by the financial specialist. We also recommend review by staff to ensure that account activity is accurate before closing accounts (see MCPS Financial Manual, p. 20-9)."</p>	<p>The Financial Specialist and the Principal will facilitate a training during Pre-Service Week 2014 to review the expectations and specific protocol needed when staff serve as a field trip sponsor.</p> <p>The Financial Specialist will ensure that a Reconciliation Report is completed for each field trip to ensure accurate accounting.</p> <p>The Financial Specialist will create and maintain individual accounts for each event/trip. The Principal will monitor accounts during monthly financial meetings.</p> <p>All trip sponsors will complete the MCPS Form 280-41, <i>Field Trip Accounting</i>.</p>	<p>Beginning July 2014</p>	<p><i>Field Trip pkts were assembled/prepare for distribution</i></p>
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<p>Finding #7: Admission receipts for athletic and non-athletic events should be controlled according to MCPS Regulation DMB-RA, <i>Control of Admission Receipts</i>. Admissions must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, <i>Tickets and Cash Report of Admissions Manager</i>, for tracking and reconciling sales, and perpetual inventory of tickets. In many instances, forms were not completed or could not be located, and a perpetual inventory of tickets had not been maintained.</p> <p>Recommendation: "We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, that all tickets be serially numbered and issued by the ticket controller for each event, and that a perpetual inventory is maintained."</p>	<p>The Financial Specialist has already developed an accountability protocol for the sale of tickets and the management of funds collected.</p>	<p>Beginning August 2014</p>
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