


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

November 29, 2012

MEMORANDUM

To: Dr. Christine Handy-Collins, Principal  
Gaithersburg High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
April 1, 2011, through September 30, 2012

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 November 14, 2012, with you, Mr. Charles Overly, business administrator, and Ms. Debra Clouse, financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 21, 2011, and discussed further actions needed to strengthen the accountability for IAF resources. 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 (see MCPS Financial Manual, p. 20-5). 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. In addition, invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our random sample of disbursements, we found prior approval was not consistently obtained, and invoices were not always

signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by you at the time verbal approval is sought, so that invoices or receipts bear a date subsequent to the approval date, and that complete documentation be attached to fully explain the reason for the purchase. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary.

In accordance with the MCPS Financial Manual, p. 20-4, the expenditure of general funds to provide refreshments for staff meetings (IAF account 11) and staff appreciation (IAF account 20) was \$45 per staff FTE per fiscal year through June 30, 2012. Also, staff development accounts must be limited to funding sources that are clearly not designated student funds. We found that you exceeded your amount allowed for staff refreshment and appreciation for fiscal year 2012, and that you used student funds to support staff development. We recommend you adhere to the guidelines from the Chief Operating Officer (COO). It should be noted that the April 16, 2012, memorandum from the COO adjusted the expenditure guideline from \$45 to \$60 per FTE effective FY 2013.

MCPS purchasing card members must record purchases on transaction logs and submit logs monthly with invoices and receipts attached for review and approval by the principal or authorized approving official. Monthly summary reports from American Express are to be reviewed, signed and dated by the principal to ensure that purchases are appropriate and within established limits. We found at the time of audit the business administrator logs and the monthly summary reports for fiscal year 2013 had not been reviewed or signed by the principal. We also noted that the business administrator approved card member logs, and this authority was not delegated in writing. We recommend purchasing card members be required to comply with the requirements of the MCPS *Purchasing Card Users Guide*, and all delegations of authority be in writing.

Equipment purchased with IAF becomes the property of MCPS and is subject to MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*. We noted that some items of equipment purchased by the school had not been added to the MCPS inventory and affixed with barcodes. We recommend that staff review the policy to ensure that equipment is properly coded and the inventory adjusted.

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 turned in to the financial specialist at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. 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. 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 (see MCPS Financial Manual, p. 20-9).

Summary of Recommendations:

- Disbursements from a school's IAF will be approved using MCPS Form 280-54 prior to expenditure of funds;
- Receipt of goods or services must be confirmed prior to disbursement;
- Staff appreciation and meeting refreshment expenditures combined may not exceed a specified total amount for a fiscal year without prior approval of the COO;
- Staff development expenditures must be funded from non-student revenue sources and recorded in proper account;
- Purchase card transactions must be documented, reviewed, and approved in accordance with MCPS procedures;
- Equipment transactions must comply with MCPS Regulation EDC-RA; 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. Darryl L. Williams, community superintendent. 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  
Dr. Marks  
Dr. Williams  
Mrs. DeGraba  
Mrs. Milwit  
Mrs. Chen

January 14, 2013

MEMORANDUM

To: Roger Pisha, Supervisor, Internal Audit

From: Dr. Christine Handy-Collins, Principal   
Gaithersburg High School

Subject: Response to the Report on Audit of Independent Activity Funds  
for the Period April 1, 2011, through September 30, 2012

In response to the Report on Audit of Independent Activity Funds ("Audit Report") for the period April 1, 2011, through September 30, 2012, the Gaithersburg High School Business Office, with the full support of the Administration, will implement the resolutions outlined in the 2012 Fiscal Management Action Plan (attached).

This action plan reflects a renewed focus on sound financial practices at Gaithersburg High School and we appreciate the commitment of your staff to further improve our processes and to direct our attention to the policies outlined in the MCPS Financial Manual.

We look forward to addressing the findings outlined in this Audit Report during the coming fiscal year.

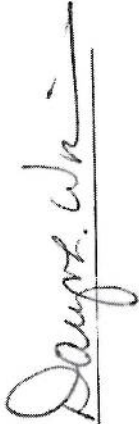
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Attachment: 2012 Fiscal Management Action Plan

Copy to: Dr. Darryl Williams, Community Superintendent, Office of School Performance

2012 Fiscal Management Action Plan

School: Gaithersburg High School  
Principal: Dr. Christine Handy-Collins

Approved by community superintendent: 

Date of approval: 1/17/13

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
1. Pre-approval of purchases and confirmation of goods received prior to disbursement must be obtained on a consistent basis.	A review of purchasing procedures will be conducted at an upcoming staff meeting and staff will be directed to the relevant pages in the Staff Handbook (Principal/Business Admin).  Invoices will be checked for recipient's signature and date prior to disbursement (Financial Spec).	1/7/2013  Ongoing	Staff Meeting Agenda  Upon review, invoices will be found to contain the recipient's signature and date.
2. Staff appreciation expenditures must not exceed the limits established by the MCPS Financial Manual and the Office of the Chief Operating Officer. Funds used to support staff development must be from non-student sources and recorded in the correct account.	Funds equal to 90% of the established limit on staff appreciation will be transferred from the general fund into the staff appreciation account at the beginning of each fiscal year (Financial Spec). The balance in the staff appreciation account will be continually monitored (Principal/Business Admin).  The staff development account will be used to record all staff development expenditures (Financial Spec).	July 1 <sup>st</sup> of each year  Ongoing	Upon review, the staff appreciation account will show the appropriate beginning balance.  Upon review, staff development expenditures will be recorded properly.
3. Purchasing card documentation must be reviewed and approved in a timely manner. If this review and approval is conducted by a principal's designee, that delegation must be in writing.	Non-student sources of funds for staff development will be identified and confirmed with auditors (Business Admin/Financial Spec). These accounts exclusively will be used to support staff development.  A workflow process, including calendar reminders, will be established to promote the timely review and approval of purchasing card documents (Business Admin).  A written delegation of authority to review and approve purchasing card documents will be enacted at the beginning of each fiscal year (Principal).	1/31/2013  1/31/2013  1/31/2013	A list of accounts with non-student sources of funding.  Upon review, purchasing card documentation will have been reviewed within 30 days of the statement end date.  Written delegations kept on file

<p>4. All furniture and equipment must be inventoried in accordance with MCPS Regulation EDC-RA.</p>	<p>The process for inventorying equipment will be formalized using a process map and other tools and shared with appropriate staff (Business Admin/Financial Spec/Media Service Tech/ITSS).</p>	<p>3/31/2013</p>	<p>Process map and supporting documents</p> <p>Upon review, equipment will be appropriately inventoried.</p>
<p>5. A comprehensive list of students who are eligible to attend a field trip must be provided to the financial specialist so that a reconciliation can be made with the remittance records. Trip fees from all eligible students must be documented as paid, waived, reduced, scholarship or did not attend.</p>	<p>Inventoried process will be applied consistently (Business Admin/Financial Spec/Media Service Tech/ITSS).</p> <p>A comprehensive list of all eligible students will be requested from trip sponsors (Financial Spec).</p> <p>A reconciliation of the comprehensive list will be made with the remittance records (Financial Spec).</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Upon review, field trip documentation will contain a comprehensive list of eligible students.</p> <p>Upon review, field trip documentation will contain a reconciliation as described.</p>

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