


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

September 25, 2014

MEMORANDUM

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

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2012, through June 30, 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 September 12, 2014, 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 November 29, 2012, 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

Our examination of IAF reports revealed several negative balances, most significantly in the yearbook and drama accounts. Further analysis revealed that when the account balances of restricted memorial funds and those belonging to clubs, classes, and other school sponsored

activities are removed from the equation, the remainder of funds available is insufficient to offset these negative account balances. Your review of monthly financial reports to apprise you of account balances in conjunction with current status updates from your business administrator will assist with decision making prior to approving purchases or considering projects to be funded by the IAF (see MCPS Financial Manual, p. 20-9). We recommend your business administrator present you with a plan designed to reduce and eventually eliminate the negative balances, and monitor progress made toward improving the overall IAF financial condition as part of your regular meetings when reviewing monthly reports.

The cost charged to students for school activities and other items should be set at levels that encourage broad participation, while generating sufficient funds to pay for the goods or services. The yearbook activity has operated at a loss for the last several years. Although staff reduced the number of books printed for the 2014 yearbook, resulting in a smaller number of unsold books, the high cost of the book combined with less than expected ad sales contributed to an overall loss of \$4,900. Even though the loss for FY 2014 was less than in previous years, the cumulative negative balance has grown to \$25,500. We recommend that staff continue their efforts to maximize yearbook revenue from ad sales as well as balancing its production cost with profitability and affordability to students.

All funds remitted to the business office must be receipted in the IAF accounting records before deposit into the school's checking account (see MCPS Financial Manual, p. 7-4). In our examination of cash receipts, we found that although funds were deposited promptly to the bank, there were delays in recording receipts in the general ledger. We recommend that the financial staff review the receipting process to ensure that receipts are issued to account sponsors prior to depositing funds in the bank.

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. Documentation must be adequate to support the procurement with invoices signed by the purchaser to indicate satisfactory receipt of goods or services prior to disbursement. In our random sample of disbursements, we found that invoices were not always signed by the receiver. In addition, security staff payment documentation for school events did not have signatures of workers or staff member in charge to verify hours worked. By requiring verification of satisfactory receipt of goods or services with complete documentation, the principal retains control over the expenditure of IAF funds. We recommend development of a process to confirm receipt of goods or services, and that complete documentation be attached to attest to hours worked by security staff (see MCPS Financial Manual, p. 20-6).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although sponsors submitted fund-raiser completion reports for each activity we reviewed for fiscal year 2014, reports for some fund-raisers conducted earlier in the year were not prepared until June rather than immediately following the conclusion of the activity. We noted that the quantity of some items ordered sold less than expected with some inventory that was not stored securely reported as stolen. We recommend that staff be reminded

of the importance of prompt completion report submission and securing of remaining inventories.

Accounting for athletic playoff games is documented on an accounting form provided by the Maryland Public Secondary School Athletic Association (MPSSAA). The form provides information on ticket sales, payments to non-employee event workers, and funds to be set aside for payment of hourly employees. We found that this accounting sheet was not consistently filed with MCPS ticket forms related to the event. We found that net receipts for ticket sales and funds set aside for payment of employees were not deposited at the same time, and along with the lack of consistent documentation, we could not verify whether shortfalls reported on ticket reports for some games were due to money paid to workers. We recommend that funds held from gate receipts to reimburse MCPS for hourly employees be remitted at the same time as net gate receipts, and that a copy of the MPSSAA accounting form be attached to MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*. We further recommend that the financial specialist complete a reconciliation of the receipts to the ticket report and MPSSAA accounting sheet to ensure all funds have been remitted.

Students may be charged course fees approved by the Office of School Support and Improvement for materials required for a course that are either consumed by the student or become the personal property of the student (see April 28, 2009, memorandum from the Chief School Performance Officer). While we found all assessed fees and associated purchases to be in line with MCPS regulations, we noted balances accumulating in these accounts suggesting that fees charged to students exceeded course expenses. We recommend that staff review student fee guidelines and course fee receipt and disbursement history to more closely align fees assessed with the cost of materials to preclude accumulation of excess balances.

Summary of Recommendations

- IAF should be managed to reduce and eliminate negative account balances;
- Yearbook activity must be more closely managed and monitored;
- Funds remitted by sponsors must be receipted prior to being deposited in the bank;
- Purchaser must confirm receipt of goods or services prior to disbursement;
- Purchase documentation must be adequate to support disbursements;
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser*;
- Admission events must be controlled to account for total tickets sold and unsold; and
- Approved course fees should align more closely with consumable materials costs.

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:

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

RECEIVED
OCT 24 2014

2014 Fiscal Management Action Plan

School: GAITHERSBURG HIGH SCHOOL

Principal: DR. CHRISTINE HANDY-COLLINS

Approved by associate superintendent: 

Date of approval: 10/31/14

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Several IAF accounts were found to have a negative account balance. The available un-restricted funds were found to be insufficient to cover these negative account balances.	A root-cause analysis of persistent negative account balances will be conducted and a plan will be developed to address them. <i>(Business Admin.)</i> The Negative Account Balance Improvement Plan will be implemented. <i>(Business Admin.)</i> Additional sources of revenue to bolster IAF accounts will be identified. <i>(Business Admin.)</i>	December 15, 2014 Ongoing Ongoing	Negative Account Balance Improvement Plan will be available for review. Steady improvement in targeted accounts. Additional donations and fundraising revenues received.
The year-book account has accumulated a sizable negative balance from multiple years of losses on book sales. Declining ad revenue has exacerbated the losses over the past two years.	Additional options for reducing the production cost of the yearbook will be reviewed each year prior to signing the annual agreement. For example, the 2014-2015 yearbook has been reduced by 8 pages from the prior year. Additional page reductions and other cost-cutting measures will be taken until profitability is reached. <i>(Business Admin)</i>	Annually	Annual agreement will reflect additional cost reductions each year until profitability is achieved.
Receipts were not consistently posted to the general ledger prior to being deposited at the bank.	A new approach to student-led advertising sales through the Trojan Advertising Group will be launched in an effort to reverse the decline in business ad sales. <i>(Business Admin/Yearbook Sponsor)</i> A new process will be implemented whereby all remittances made to the Business Office prior to 2:30PM on workdays will be received and deposited with the bank that day. Remittances made after 2:30PM on workdays will be held in the safe to be received and deposited the following day. <i>(Financial Specialist)</i>	Completed	Growing revenues from ad sales made by members of TAG.
	An e-mail will be sent to all school staff outlining these	Beginning November 2014	Upon review of date/time information in SFO, receipts and deposits will be completed in the correct order and timeframe on a more consistent basis.
		November 1, 2014	Copy of e-mail notification

<p>Invoices were not consistently being signed by the receiver to indicate receipt of the goods/services.</p>	<p>new procedures. <i>(Business Admin)</i></p> <p>An e-mail will be sent to all school staff regarding the need to sign invoices before submitting them for payment by the Business Office. <i>(Business Admin)</i></p> <p>The vast majority of goods/services in the school are purchased by the Business Office, Athletic Director and NJROTC Commander. The Business Administrator will work with these groups to enhance their current receiving processes. <i>(Business Admin)</i></p> <p>A new process will be put in place whereby the payment will not be released to the employee by the Business Office until signatures are obtained from both the employee and the event sponsor. <i>(Financial Specialist)</i></p>	<p>November 1, 2014</p> <p>November 15, 2014/ Ongoing</p>	<p>Copy of e-mail notification</p> <p>Upon review, invoices charged to IAF accounts will have been signed by the receiver on a more consistent basis.</p> <p>Upon review, all payment documentation for non-MCPS security work will be signed by appropriate staff.</p>
<p>Payment documentation for non-MCPS staff who worked overtime as security for school events was not consistently signed by the employee who worked or the event sponsor who could verify the hours worked.</p>	<p>During the month-end closing process, an e-mail requesting the completion of fundraiser reports will be sent to all sponsors who held fundraisers during the month being closed out as well as sponsors of fundraisers held during prior months who have not yet completed their reports. These e-mails will be printed and held for audit review. <i>(Financial Specialist)</i></p>	<p>Beginning November 2014</p> <p>Beginning November 2014</p>	<p>Upon review, fundraiser completion reports will be submitted in a timely manner. E-mail notifications will be available for review.</p>
<p>Reports from some fundraisers held early in the year were not completed until the end of the fiscal year.</p>	<p>MPSSAA accounting sheets will be attached to all playoff game ticket reports. <i>(Athletic Director)</i></p> <p>All funds pertaining to a given playoff contest – whether net receipts from ticket sales or funds to pay employees – will be deposited intact at the same time. <i>(Athletic Director)</i></p>	<p>Beginning November 2014</p> <p>Beginning November 2014</p>	<p>Upon review, accounting sheets will be found attached to playoff ticket reports.</p> <p>Upon review, funds will have been deposited concurrently.</p>
<p>Accounting sheets for MPSSAA playoff games were not consistently attached to the ticket reports for those contests. Additionally, net receipts from ticket sales and funds set aside for payment of employees were not deposited at the same time.</p>	<p>Deposits and documentation pertaining to MPSSAA playoff contests will be reconciled. <i>(Financial Specialist)</i></p> <p>A review of each course fee will be conducted at semester end to determine if it is set at the appropriate level. <i>(Business Administrator)</i></p>	<p>Beginning November 2014</p> <p>After end of semester one (January 2015)</p>	<p>Upon review, audit staff will be able to reconcile all playoff deposits.</p> <p>Fee revenues and course expenses will be aligned so that accumulated balances do not occur.</p>
<p>Accumulating balances were found in some course fee accounts suggesting that fees were not well-matched to expenses.</p>	<p><i>Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.</i></p>		