


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

December 4, 2015

MEMORANDUM

To: Mrs. Ann B. Dolan Rindner, Principal
Gaithersburg Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2013 – October 31, 2015

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 December 3, 2015 with you, and Mrs. Deborah Delore, financial specialist, we reviewed the status of the conditions described in our prior audit report dated December 2, 2013, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2015. 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

Memberships in professional organizations are limited to one per school, unless written pre-approval is obtained from the Office of School Support and Improvement (OSSI). Considered to

be staff development, memberships should be paid for from non-student generated funds. We found that three professional memberships were purchased with funds from the general account. We recommend that only one membership be purchased with appropriate IAF funds unless prior written approval is obtained from the OSSI to purchase additional memberships.

Controls over cash receipts need improvement. Some staff collecting funds were holding them rather than remitting them timely to the financial specialist. Many remittance slips had not been signed by the sponsor and/or signed and dated by the financial specialist. Large and infrequent deposits increase the possibility of loss of funds, diminish the schools ability to fund activities, and are contrary to the MCPS Financial Manual. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the financial specialist daily together with a completed and signed remittance slip (see MCPS Financial Manual, p. 7-4).

The MCPS Financial Manual (Chapter 7) specifies that receipts, together with remittance slips and their supporting documentation, should be filed in sequential order together with the deposit slip receipted by the bank to form a deposit packet. We found that the office copy of receipts were filed by date with the bank receipt, but remittance slips and supporting documentation were located in other files according to the account where the funds were deposited. Many original receipts were on file in the financial office in the account files. We recommend that to comply with MCPS regulations, receipts should be filed as specified in Chapter 7 of the Financial Manual. The original receipt (top half) should be given to the person remitting the funds, the receipt office copy (bottom half) should be retained and filed in the financial office with the deposit packet.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although most sponsors are now submitting fund-raiser requests and preparing completion reports, which have been signed by the financial specialist and you, they are not using the current version of the completion form. The prior completion report used 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. 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. We recommend that sponsors use the most current forms for future fund-raisers.

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 to the final account history report. We 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. In addition, we recommend that donations for field trips be specifically identified as such rather than listed as student trip fees. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-10).

Summary of Recommendations

- Staff development memberships should be limited to one per school unless OSSI written pre-approval is obtained;
- Cash controls need to be improved to remit funds to the financial specialist on the day received together with complete, signed remittance slips;
- Receipts need to be filed in deposit packets as outlined in Chapter 7 of the MCPS Financial Manual and original receipts given to the person remitting the funds;
- Fund-raisers must use the most current forms to be able to properly evaluate results; and
- Field trip sponsors need to provide a comprehensive list of eligible students to the financial specialist at the conclusion of the field trip so that trips can be compared with funds received (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 office within 30 days of this report, with a copy to Dr. Michael J. Zarchin, director of secondary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:SY:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Williams
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
Dr. Zarchin

Fiscal Management Action Plan

School: Gaithersburg Middle School

Principal: Ann Dolan

Approved by community superintendent: _____ Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Disbursements- Memberships were paid for NASSP/MASSP, ASCD & Gaithersburg-Germantown Chamber of Commerce</p>	<p>Will pay only one membership (ASCD) from IAF funds. Germantown-Gaithersburg Chamber of Commerce will no longer be paid from IAF funds. Principal will be reminded that only one membership can be paid from IAF funds.</p>	<p>Will only pay ASCD membership in FY17</p>	<p>FY17 disbursements will show no evidence of such payments from IAF.</p>
<p>Controls over cash receipts need improvement: Staff collecting funds were holding them rather than submitting them timely. Many remittance slips had not been signed and dated by sponsor and/or financial specialist.</p>	<p>Daily deposits have been a problem with only a few sponsors. The importance of timely deposits to financial office has been reiterated to sponsors. Since audit, remittance slips will be consistently signed and dated by sponsor and financial specialist.</p>	<p>New staff sponsors informed of the importance of daily deposits and that all remittance slips need to be signed and dated. Process started December 2015.</p>	<p>December 2015 and forward will show evidence of process.</p>
<p>MCPS Financial Manual (Chapter 7) specifies that receipts, together with remittance slips and supporting documentation, should be filed in sequential order together with the deposit received by the bank to form a deposit packet. We found that office copy of receipts were filed by date with the bank receipts, but remittance slips and supporting documentation were located on file in financial office account files. Many original receipts were on file in the account files.</p>	<p>In the future, the financial specialist will make an extra copy of the remittance slip to be kept with the office copy of the receipt to form a deposit package as directed by auditor. Keeping a copy of the receipt attached to the remittance slip in the activity folder is beneficial for account reconciliation purposes. Financial specialist does give sponsor a copy of the receipt when making a deposit. She will give sponsor the original copy of receipt instead of extra printed copy. The extra copy will be attached to the remittance slip for the activity file.</p>	<p>Process started after Chapter 7 in the MCPS Financial Manual brought to the attention of financial specialist. The previous filing system was accepted by audit.</p>	<p>Evidence will be seen in the monthly IAF folders.</p>

<p>Fund-raising at the school must conform to the "Guidelines for Sponsoring an Independent Activity Fund-Raiser. Although most sponsors are now submitting fund-raiser requests and preparing completion reports, which have been signed by the financial specialist and you, they are not using the current version of the completion form. The prior completion report used did not include total number of items for sale, selling prices, or remaining inventories.</p>	<p>In audit period, one fund-raiser completion report was not turned in by sponsor. Most fund-raiser items are not pre-purchased by school to sell. Therefore, there is no total number of items for sale, selling prices, or remaining inventory. SGA or NJHS often sell handmade items (Valentines or Spirit links, etc.) The schools fall fund-raiser is done from a catalog and funds are counted by fund-raiser company and verified by financial specialist. In the future, the update version of the completion form will be used.</p>	<p>The use of the updated completion report has been implemented.</p>	<p>Evidence of completion will be in future fundraiser activity folders.</p>
<p>Sponsors of the field trips should have a 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 receive 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 again found that not all sponsors are providing completed data at the conclusion of each trip and that data is not being compared to the final account history report. We recommend that trip sponsors use MCPS Form 280-41, Field Trip Accounting, or its equivalent, for recording trip fees and provide complete data at the completion of each trip. We recommend that donations for field trips be specifically identified as such rather than listed as student trip fees.</p>	<p>Financial specialist requires that field trip sponsors submit MCPS Field Trip Accounting (280-41) form attached to each remittance slip. MCPS Waiver forms (260-1) are also completed for eligible students that are unable to pay the field trip fee. Waivers are kept in a separate account file by activity. Most sponsors provide required documentation. OE donations are identified separately as required. In the future, field trip donations will be identified as such and a <u>comprehensive list</u> of all eligible students attending trip, how much they paid and if they attended trip will be required by field trip sponsor at conclusion of each field trip.</p>	<p>The field trip sponsor requirements have been reiterated. A comprehensive list of all eligible students will be provided by field trip sponsors at end of field trip.</p>	<p>Evidence will be provided in future field trip activity folders.</p>