


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 10, 2014

MEMORANDUM

To: Mr. Joe L. Rubens, Jr., Principal
John F. Kennedy High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
May 1, 2012, through October 31, 2013

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 February 7, 2014, with you, Mrs. Robin Boodhoo, business administrator, and Mrs. Somporn Gesuwan, financial specialist, we reviewed the status of the conditions described in our prior audit report dated June 14, 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. It should be noted that many of the findings in this report were ongoing prior to your appointment as acting principal effective August 5, 2013.

Findings and Recommendations

The management of IAFs must be in accordance with good business practices that include sound accounting procedures and internal controls. Those entrusted with MCPS resources are responsible for establishing and maintaining effective controls to ensure that programs meet the school's goals and objectives (see MCPS Financial Manual, p. 20-1). We found many internal control weaknesses that included unsecured blank check and receipt stock, lack of transactions recorded in the general ledger to substantiate checking account deposits and withdrawals, inadequate or misleading transaction descriptions, and other numerous errors and corrections. The remaining check and receipt stock used with the prior IAF accounting software was to be destroyed upon conversion to the new School Funds Online (SFO) software. Although financial staff submitted written documentation to Internal Audit certifying that the destruction occurred, we found the old check and receipt stock still intact at the school. School checking account deposit slips had been given to a non-staff person resulting in credits appearing on the bank statement but not identified as to the source of funds until several months later. The financial specialist imposed a cash-only policy for payment of obligations, informing students that check payment was unacceptable. Also, we noted that SFO output was not always verified prior to issuing checks and receipts causing subsequent problems with bank reconciliations as well as additional staff time to resolve discrepancies and make corrections. We recommend that financial staff review the MCPS Financial Manual to ensure compliance, and that processes be initiated to ensure integrity of SFO output prior to release of checks and receipts.

Effective internal control includes the receipt and review by the principal of the monthly bank statement, the bank reconciliation and the general ledger report (Receipts and Disbursements Report from the SFO accounting system). Review of these important reports must be evidenced by the principal's signature and date. Although we found that the bank statement and bank reconciliations were signed by the former principal and by you, we could find no indication that the Receipts and Disbursements Report was prepared by the financial specialist for review. We noted that the Class of 2013, SERT, and Textbook Obligation accounts had accumulated large balances, and a deficit in the IB Exam account had increased from -\$5,293 in FY 2012 to -\$11,039 at June 30, 2013. We recommend the financial staff provide a complete set of monthly reports for your review to ensure the effective use of funds for the benefit of your students (see MCPS Financial Manual, p. 20-Appendix G).

The purpose of each disbursement must be fully explained on MCPS Form 280-54, *Request for a Purchase*, in order to record expenditures in appropriate accounts, and to ensure that they comply with IAF requirements (see MCPS Financial Manual, p. 20-5). Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our random sample of disbursements, we found instances of inadequate documentation to fully explain the reason for the expenditure, and invoices that were not always signed by the receiver. We recommend that complete documentation be attached to fully explain the reason for the purchase, and that sponsors be required to certify that goods or services have been satisfactorily received prior to submitting invoices for payment.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the financial specialist. Cash should be counted in the presence of the sponsor, and a receipt that is supported by the remittance slip should be issued promptly, before deposit of the funds into the school's checking account. Any receipts printed in error should be voided in the accounting system, and all parts of the respective receipt forms should be defaced and retained. We again found a lack of control over cash handling. On numerous occasions, funds were deposited with the bank prior to the issuance of receipts. Nine deposits were made throughout the month of July 2013, but cash receipts were not recorded until July 30. The financial specialist prepared only one cash receipt for funds remitted by a sponsor but the funds were deposited with the bank over a three-day period. We did not find source documents for all cash receipts, and documentation for obligation receipts was inadequate and without indication of payment by cash or check. Some sponsors held money, some used an incorrect version of the remittance slip, and many sponsors recorded only total checks and cash by denomination on remittance slips, rather than recording student names and amounts paid by each as required. We also found that some receipts were altered rather than voided and reissued, or reprinted on plain paper if the actual receipt had been misprinted. To improve cash control procedures, we recommend adoption of MCPS standards (see MCPS Financial Manual, p. 7-4).

The MCPS Centralized Investment Fund (CIF) provides an opportunity for schools to pool funds in excess of current needs in a manner that will earn a reasonable rate of return. Financial staff are responsible to monitor their school's CIF account balances, and to record associated interest, expense, and transfer of funds. Although the financial staff made regular deposits into and withdrawals from the fund conveying the appearance the CIF was well managed, the financial specialist was not using the prescribed procedure to record the movement of funds. Also, we found numerous errors and corrections in the CIF and related interest and expense accounts, including an unrelated returned check fee. Consequently, monthly CIF balances in the general ledger frequently did not agree with CIF statement balances (see MCPS Finance Manual, p. 7-5).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although the sponsors are sometimes submitting fund-raiser request and completion reports, most forms were not properly completed to enable evaluation of results. Some fund-raisers were not approved in advance and proceeds were erroneously recorded as donations in class or club accounts. A club raised approximately \$6,000 for a charity, but the funds were used to pay invoices owed by the school rather than given to the charity. 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. The results of many fund-raisers were distorted because funds from class or club accounts were transferred into the fund-raiser accounts that obscured the actual losses or shortages. We found no indication that financial staff had analyzed the data to determine the cause for fund-raiser losses or shortages. A Class of 2014 apparel fund-raiser had an overall loss of \$1,951, which was masked by a transfer of funds from the class account. We could not find complete records of items available for sale or their selling prices. Even though the fund-raiser account had been closed, the sponsor indicated apparel items were still being sold from

remaining inventory. 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 staff review guidelines for fund-raising and strengthen accountability procedures to ensure that future fund-raising benefits the school.

Sponsors of field trips should have a complete class or club roster of student names and annotate how much 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 general ledger. 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 also found instances where trips were not appropriately priced and fees collected either exceeded sums needed to pay for a trip, or were not sufficient to meet costs. Sometimes excess fees collected from one trip were transferred to offset a shortage from another trip without explanation. We noted that receipts recorded in the general ledger for one trip were \$720 less than the sponsor's record indicated for funds collected. 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 conclusion of each trip, so that business staff can complete a reconciliation of the trip account. We further recommend that trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-9).

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides procedures for the accounting for sales of admission tickets. While we noted improvement in most admission events, we found control weaknesses in prom ticket sales. The event sponsor numbered the tickets, effectively eliminating the vital control that results from having pre-numbered tickets distributed by a ticket controller who is independent of the event sponsor. Tickets were offered for sale at various prices either through Online School Payments (OSP), in the school as part of a graduation package, or individually. Sales records were not maintained for tickets sold in the school, and unsold tickets had not been retained for audit, therefore, we were unable to determine if all funds due to the school were remitted and deposited. We recommend that admission to all events be controlled in accordance with the above cited regulation.

The MCPS Financial Manual, p. 20-10, provides guidance on IAF account structure and utilization. The IAF chart of accounts is standardized for consistency in reporting. We found instances of nonconformity, and noted that sometimes transactions were not classified properly in appropriate accounts. For example, exchange accounts are to be used for one-time only transactions with receipts equaling disbursements and balancing to zero. However, we found a commission receipt, a non-sufficient funds fee, yearbook sales, a yearbook refund, and cheerleading uniform purchases in an exchange account without offsetting transactions. Transactions for the HBCU College Fair activity were recorded in four separate accounts rather than one, and although the activity had concluded in FY 2013, one of the original four accounts still has a balance of \$200 from a PTSA donation. Although the school does not have an actual petty cash fund, we found that the general ledger had a petty cash account with numerous transactions recorded in error, and voids and other transactions to correct the errors. Also, we noted numerous other accounts with transactions that

were subsequently voided or corrected. Such errors render it difficult to evaluate the results of activities, and may allow a loss to go undetected. We recommend that you work with staff to put processes in place to ensure that proper approvals are obtained prior to establishment of activity accounts for field trips, fund-raisers, admission events, and other school activities, and counsel staff to ensure that no activity occurs until it has been approved and an account established.

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise (see MCPS Financial Manual, p. 18-2). Taxable merchandise includes yearbook, apparel, fund-raiser items, and other items that become the personal property of the individual making the purchase. We found that the process used by the financial specialist to calculate and record sales tax was not efficient and was inconsistently performed. In addition, records had not been retained to document the calculation of taxable sales, and sales tax was not always collected and remitted on taxable items. We recommend that the school move toward full compliance by working with sponsors to determine activities for which sales tax must be collected and ensure that prices are set appropriately to include the tax so that activities do not generate losses.

Summary of Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures;
- Monthly financial reports must be reviewed, signed, and dated by the principal to indicate review;
- Purchaser must confirm receipt of goods or services prior to disbursement;
- Purchase documentation must be adequate to support disbursements;
- Funds remitted by sponsors must be promptly verified and receipted, prior to being deposited in the bank by the financial specialist (repeat);
- CIF transactions should comply with prescribed procedures and monthly ledger balances should be compared to CIF statement balances;
- Fund-raisers must be approved in advance by the principal;
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results;
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses;

- 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);
- Admission events must be controlled to account for total tickets sold and unsold (repeat);
- Accounting transactions must conform with the IAF chart of accounts;
- Financial specialist must adhere to MCPS rules, regulations, and procedures when establishing accounts and recording transactions in the general ledger; and
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.

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

JOHN F. KENNEDY HIGH SCHOOL


1901 RANDOLPH ROAD, SILVER SPRING, MARYLAND 20902

MAIN OFFICE (301) 929-2100 ♦ MAIN OFFICE FAX (301) 929-2240 ♦ GUIDANCE (301) 929-2120

March 10, 2014

MEMORANDUM

To: Dr. Christopher Garran, Associate Superintendent of High Schools

From: Joe L. Rubens, Principal 

Subject: Response to Audit of Independent Activity Funds for the Period
May 1, 2012 through October 31, 2013

In response to the auditor's findings and recommendations as disclosed in the audit report for the period of May 1, 2012, through October 31, 2013, we believe that progress was made in accordance with the previous report dated July 19, 2012. We understand that we must continue to strengthen our controls, as they relate to remittance receipts, fund-raising, field trips, admission controls, account structure utilization and reporting sales tax.

Please refer to John F. Kennedy High School's *Fiscal Management Action Plan* for details.

Please express our sincere thanks to the auditing team for their time and effort in reviewing our financial records and making valuable suggestions for strengthening our controls.

JR:rwb

Copy to: Roger Pisha, Supervisor, Internal Audit
Robin W. Boodhoo, Business Administrator
Sam Gesuwan, Financial Specialist

Fiscal Management Action Plan

School: JOHN F. KENNEDY HIGH SCHOOL

Principal: Joe L. Rubens

Date of approval: 8/10/14

Approved by community superintendent:

Dr. Christopher Garraan, Associate Superintendent of High Schools

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Finding(s): Internal Control Weaknesses</p> <ol style="list-style-type: none"> Unsecured Blank Check & Receipt Stock Lack of transactions recorded in the general ledger to substantiate checking account deposits and withdrawals Inadequate or misleading transaction descriptions SFO output was not always verified prior to issuing checks and receipts Numerous errors and corrections Large balances accumulated in accounts <ol style="list-style-type: none"> Class of 2013 SERT Textbook Obligation <p>Recommendation(s):</p> <ol style="list-style-type: none"> Financial staff review the <i>MCPS Financial Manual</i> to ensure compliance Initiate process to ensure integrity of SFO output prior to release of checks and receipts. 	<p>Principal</p> <ol style="list-style-type: none"> Develop a spending plan for large balances in the SERT & textbook accounts Work with SBA, AP (in charge of senior class) to ensure compliance. (Refer to MCPS Financial Manual, p.20-11) Receive & Review monthly bank statement, the bank reconciliation and the general ledger report. Sign & date reports to indicate that they have been reviewed <p>Financial Specialist (SFS)</p> <ol style="list-style-type: none"> Refer to MCPS Financial Manual, p. 20-41, <i>End of Month Checklist - SFO</i> Secure ALL checks and receipts Record receipts in GL & Forward data and bank deposit slip to SBA for review DAILY Provide a complete set of monthly reports for the Principal's review to ensure the effective use of funds for the benefit of the students. (Refer to MCPS Financial Manual, p. 20-Appendix G) Utilize End of the Month Checklist and print ALL monthly reports to include <i>Receipts & Disbursements Report</i> and keep on file with the bank reconciliation <p>Business Administrator (SBA)</p> <ol style="list-style-type: none"> Work with Principal & AP (in-charge of senior class) to ensure compliance. (Refer to MCPS Financial Manual, p. 20-11) Review receipts & deposits, daily Return daily receipts and deposits to SFS to retain for next internal audit 	<p>Immediate</p>	<ul style="list-style-type: none"> Written spending plans & a reduction in account balances Signed & Dated GL Reports & Bank Reconciliation Completed End of the Month Checklist (initialed by responsible parties)

<p>Finding(s): Disbursements MCPS Form 280-54, Request for a Purchase – inadequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver.</p> <p>Recommendation(s):</p> <ol style="list-style-type: none"> 1. Comprehensive documentation, fully explaining the reason for the purchase 2. Sponsors - certify that goods and services have been satisfactorily received prior to submitting invoices for payment 	<p>Principal Approve <u>ALL</u> purchases (MCPS Form 280-54)</p> <p>Sponsor Submit comprehensive documentation</p> <p>Financial Specialist</p> <ol style="list-style-type: none"> 1. Require sponsors to comply with IAF requirements (refer to MCPS Financial Manual, p. 20-5) 2. Review MCPS 280-54 <i>Request for a Purchase</i>, for accuracy 3. Require sponsors to fully explain the reason for their purchase 4. Require sponsors to certify that goods or services have been satisfactorily received prior to submitting an invoice for payment and account balances. 5. Retain all the approval forms and copies of the receipts/source documents for next internal audit <p>Business Administrator Review MCPS Form 280-54, checking for compliance (must have a full explanation of reason for purchase)</p>	<p>Approved MCPS form 280-54, Request for a Purchase</p> <p>Signed/Certified Invoices that support the purchase</p>
<p>Finding(s): Receipts Lack of control over cash handling</p> <ol style="list-style-type: none"> 1. Funds were deposited with the bank prior to the issuance of receipts. 2. Nine deposits were made throughout the month of July 2013, but cash receipts were not recorded until July 30. 3. The financial specialist prepared one cash receipt for funds remitted by the sponsor but the funds were deposited with the bank over a three-day period. 4. Did not find source documents for all cash receipts 5. Obligation receipts was inadequate and without indication of payment by cash or check. 6. Sponsors held money, used incorrect version of the remittance slip and omitted student's name and amount paid by each. Instead the recorded total cash by denomination on the remittance slip 7. Receipts were altered rather than voided and reissued, or reprinted on plain paper if the actual receipt had been misprinted. <p>Recommendation(s): To improve cash control procedures, adopt MCPS standards (refer to MCPS Financial Manual, p. 7-4)</p>	<p>Sponsor Remit funds to the SFS (shall be remitted promptly and intact on the same day they are received from the source) Document remittance of funds to the SFS using MCPS Form 280-34: Independent Activity Fund Remittance Slip Include the following:</p> <ol style="list-style-type: none"> 1. Date of remittance 2. Amount of funds remitted (separate totals indicating amount of cash and checks) 3. Source of funds received (person or entity remitting funds) 4. Account (title and number to receive credit for the remitted funds) 5. Reason for collection 6. List of students from whom funds were collected with amount of cash or check 7. Signature of sponsor <p>Financial Specialist</p> <ol style="list-style-type: none"> 1. Adopt MCPS standards (refer to MCPS Financial Manual, p. 7-4) 2. Require sponsor to submit a remittance slip with accurate information to include student's name and amount paid by each student 3. Verify correct account name and number 4. Count & Record cash, in the presence of the sponsor (prior to depositing into school's checking account) 5. Record in GL & print receipt to give to the remitter 6. Print obligation report for funds collected each day (attach to receipt & deposit documentation) 7. Void & Reissue receipts if an error is discovered (never alter or print receipts on plain paper) 	<p>Receipts</p> <p>GL account summary</p> <p>Bank reconciliation</p>
	<p>Immediate</p>	<p>Immediate</p>

<p>8. Forward receipt and deposit documentation to SBA for review each day</p> <p>9. Retain records for next internal audit</p> <p>Business Administrator</p> <ol style="list-style-type: none"> 1. Review receipt and deposit documentation, daily 2. Return to financial specialist to retain for next internal audit 	<p>8. Forward receipt and deposit documentation to SBA for review each day</p> <p>9. Retain records for next internal audit</p> <p>Business Administrator</p> <ol style="list-style-type: none"> 1. Review receipt and deposit documentation, daily 2. Return to financial specialist to retain for next internal audit 	
<p>Financial Specialist</p> <ol style="list-style-type: none"> 1. CIF – Refer to MCPS finance Manual, p.7-5) 2. Refer to MCPS Financial Manual, p. 20-37, <i>Recording CIF Transactions - SFO</i> 3. Comply with prescribed procedures 4. Compare monthly ledger balances with CIF statement balances 	<p>Financial Specialist</p> <ol style="list-style-type: none"> 1. CIF – Refer to MCPS finance Manual, p.7-5) 2. Refer to MCPS Financial Manual, p. 20-37, <i>Recording CIF Transactions - SFO</i> 3. Comply with prescribed procedures 4. Compare monthly ledger balances with CIF statement balances 	<p>Finding(s): MCPS Centralized Investment Fund (CIF)</p> <ol style="list-style-type: none"> 1. The financial specialist was not using the prescribed procedure to record the movement of funds. 2. Numerous errors and corrections in the CIF and related interest and expense accounts, including an unrelated returned check fee. Consequently, monthly CIF balances in the general ledger frequently did not agree with CIF statement balances <p>Recommendation(s): Refer to MCPS Financial Manual, p.7-5)</p>
<p>All</p> <p>Refer to, MCPS Policy CND, School Related Fund-raising, (details: contained in MCPS publication, <i>Guidelines for Sponsoring and IAF Fund-raiser</i>)</p> <p>Principal or Designer</p> <p>Review & Approve, in advance, all fund-raiser request</p> <p>Business Administrator</p> <p>Review approval request packet for accuracy</p> <p>Forward complete packet to SFS</p> <p>Evaluate results</p> <p>Return to SFS to retain for next internal audit</p> <p>Sponsor</p> <ol style="list-style-type: none"> 1. Determine the following <ol style="list-style-type: none"> a. purpose (how funds will be used) b. desired amount to raise c. discuss with financial staff for feedback and feasibility 2. Complete a fund-raiser request form, include the following: <ol style="list-style-type: none"> a. description of proposed fund-raiser (merchandise to be sold) b. name of vendor c. budget – cost per item, sale price per item, expected cost, expected profit d. intended use of proceeds e. proposed dates 	<p>All</p> <p>Refer to, MCPS Policy CND, School Related Fund-raising, (details: contained in MCPS publication, <i>Guidelines for Sponsoring and IAF Fund-raiser</i>)</p> <p>Principal or Designer</p> <p>Review & Approve, in advance, all fund-raiser request</p> <p>Business Administrator</p> <p>Review approval request packet for accuracy</p> <p>Forward complete packet to SFS</p> <p>Evaluate results</p> <p>Return to SFS to retain for next internal audit</p> <p>Sponsor</p> <ol style="list-style-type: none"> 1. Determine the following <ol style="list-style-type: none"> a. purpose (how funds will be used) b. desired amount to raise c. discuss with financial staff for feedback and feasibility 2. Complete a fund-raiser request form, include the following: <ol style="list-style-type: none"> a. description of proposed fund-raiser (merchandise to be sold) b. name of vendor c. budget – cost per item, sale price per item, expected cost, expected profit d. intended use of proceeds e. proposed dates 	<p>Finding(s): Fund-Raising</p> <ol style="list-style-type: none"> 1. Fund-raiser request and completion reports were not properly completed to enable evaluation of results 2. The results of many fund-raisers were distorted because funds from class or club accounts were transferred into the fund-raiser accounts that obscured the actual losses or shortages 3. Fund-raisers not always approved in advance 4. Proceeds were erroneously recorded as <u>donations</u> in class or club accounts 5. Completion reports did not include: <ol style="list-style-type: none"> a. the total number of items for sale b. selling prices c. remaining inventories 6. No evidence of financial staff analyzing the data to determine the cause for fund-raiser losses or shortages. <p>Recommendation(s): Review guidelines for fund-raising and strengthen accountability procedures to ensure that future fund-raising benefits the school.</p>
<p>• Sponsor's budget</p> <p>• Contracts/Quotes</p> <p>• Receipts</p> <p>• Purchase request</p> <p>• Invoices</p> <p>• Sales tax return</p> <p>• GL Account Summary</p> <p>• Fund-raiser analysis checklist</p>	<p>Immediate</p>	<p>Immediate</p>

<p>3. Obtain written approval from the principal prior to advertising the fund-raiser or ordering any merchandise.</p> <p>4. Submit completed packet and supporting documentation</p> <ol style="list-style-type: none"> Sales contract Quotes for all expenses Flyers/brochures <p>5. Deposit funds each day that funds are collected</p> <p>6. Keep deposits separate (concessions and ticket sales must be deposited separately)</p> <p>7. Analyze activity (determine the cause for losses or shortages and provide explanation)</p> <p>8. Submit Fund-raiser Completion Report or Statement of profit or loss (MCPS form 281-25)</p> <p>9. Attach physical inventory (MCPS form 281-22, if applicable)</p> <p>10. Transfer funds to receiving account before disbursing funds</p>		
<p>Financial Specialist</p> <ol style="list-style-type: none"> Require sponsors to comply with MCPS Policy CND, School Related Fund-raising. Establish an account for approved fund-raiser Monitor each deposit to ensure compliance Check sponsor's analysis for accuracy and notate discrepancies. Return to sponsor for corrections (repeat #4) Submit to SBA for final review Retain all the approval forms and copies of the receipts/source documents <p>Proceeds from Restaurant Fund Raisers</p> <ol style="list-style-type: none"> Follow steps 1-7 above. Establish a folder for restaurant fund-raisers Record transaction description - include the class, club, or account to benefit 	<p>Immediate</p>	<p>Business Administrator</p> <ol style="list-style-type: none"> Review trip planning documentation to ensure established fees are commensurate with trip expenses (refer to MCPS Financial Manual, p.20-9) Review documentation each month and complete a final analysis Return to financial specialist to retain for next internal audit <p>Sponsor</p> <ol style="list-style-type: none"> Calculate the total cost of the field trip (must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip) Submit to the Financial Specialist - a complete class roster of student names and annotate the following: <ol style="list-style-type: none"> Student names How much each student paid
<p>Finding(s): Field Trips</p> <ol style="list-style-type: none"> Not all sponsors are providing completed data at the conclusion of each trip Data is not being compared to the final account history report In some instances, trips were not appropriately priced and fees collected either exceeded sums needed to pay for a trip, or were not sufficient to meet cost. Excess fees collected from one trip were transferred to offset a shortage from another trip without explanation. <p>Recommendation(s):</p> <ol style="list-style-type: none"> Sponsors use MCPS Form 280-41, Field Trip Accounting, or its equivalent, for recording of trip fees and provide complete data at the conclusion of 	<p>Field trip reconciliation form, signed by all responsible parties</p>	<p>Field trip reconciliation form, signed by all responsible parties</p>

<p>each trip, so that business staff can complete a reconciliation on the trip account.</p> <p>2. Trip planning be reviewed to ensure established fees are commensurate with trip expenses (see MCPS Financial Manual, p. 20-9)</p>	<p>c. Eligible students who did not participate in the trip</p> <p>d. Students who received waivers, scholarships or reduced fees</p> <p>3. Collect the amount of funds that come as close as possible to the break-even point to pay for all costs associated with a field trip that may include transportation, admissions, food, substitute teacher, chaperones, etc.</p> <p>4. Remit funds to the financial specialist each day that funds are collected</p> <p>5. Submit MCPS forms 280-54 and 203-2 to reimburse MCPS for the cost of substitutes.</p> <p>6. Utilize MCPS form 280-41, <i>Field Trip Accounting</i>, or its equivalent for recording of trip fees</p> <p>7. Submit complete data to the School Financial Specialist at the conclusion of each trip, so that business staff can complete a reconciliation of the trip account. (cost & fee information (proof of payment/receipts))</p>	<p>Completed MCPS Form 280-50</p> <ul style="list-style-type: none"> • Sponsor's budget • Deposits & Receipts • Purchase request • Invoices • GL account summary
<p>Financial Specialist</p> <ol style="list-style-type: none"> 1. Establish an account for approved field trip 2. Monitor each deposit to ensure compliance 3. Ensure that sponsor submit all documentation required for comparison of field trip account. 4. Conduct an analysis of documentation, upon the conclusion of the trip 5. Submit to SBA for final review/reconciliation 6. Retain data until next internal audit 	<p>Business Administrator/Ticket Controller</p> <ol style="list-style-type: none"> 1. Prepare MCPS Form 280-50: <i>Tickets and Cash Report of Admissions Manager</i>, indicating the beginning and ending ticket numbers of each roll issued and the amount of the check issued for the change fund) 2. Sign the form and forward copies to the financial specialist and sponsor; retain a copy in business office 3. Issue ticket rolls to the sponsor/admissions manager before the event. 4. Review/Analyze documentation, upon completion of the activity 5. Return to financial specialist to retain for next internal audit 	<p>Sponsor/Admissions Manager</p> <ol style="list-style-type: none"> 1. Request ticket rolls from SBA/ticket controller two days prior to beginning sales 2. Obtain a check for the change box from the financial specialist (allow time for processing) 3. Sale tickets to spectators on the basis of one ticket per person (tickets are to be detached from the roll only when there is an immediate sale for each ticket)
<p>Finding(s): Admission Control</p> <ol style="list-style-type: none"> 1. Weaknesses in Prom ticket sales (unable to determine if all funds due to the school were remitted and deposited) <ol style="list-style-type: none"> a. Sales records were not maintained b. Unsold tickets had not been retained for internal audit 	<p>Recommendation(s):</p> <p>Admission to all events is controlled in accordance with MCPS Regulations DIA-RA, Control of Admission Receipts.</p>	<p>All</p> <p>Refer to MCPS Regulations DMB-RA, <i>Control of Admission Receipts</i></p>

	<p>4. Remit funds to the financial specialist each day that funds are collected (no personal monies are to be used in the cash box of ticket sellers, nor are personal monies to be mingled with any school funds)</p> <p>5. Complete & Sign MCPS form 280-50 after the close of all ticket sales for each event.</p> <p>6. Return MCPS Form 280-50 and all unsold tickets to financial specialist/report auditor</p> <p>7. Maintain adequate records to provide chronological and accounting data for subsequent review and analysis</p> <p>8. Execute transfer of funds to receiving account</p> <p>9. Turn records into financial specialist</p> <p><u>Financial Specialist/Report Auditor</u></p> <p>1. Establish account upon receipt of fund-raiser approval packet</p> <p>2. Cut Check from change fund, as per sponsor's request (use change account to disburse funds)</p> <p>3. Complete , upon completion of the activity, MCPS form 280-50, indicating</p> <ol style="list-style-type: none"> beginning and ending number of each ticket roll returned total number of tickets returned total sales amount of monies deposited (the ticket sales should equal the money collected less the change fund, which is the amount that the admissions manager deposits to the IAF checking account. <p>4. Analyze ensure that the value of unsold tickets plus funds deposited equals the value of tickets issued</p> <p>5. Sign MCPS form 280-50 after analyzing</p> <p>6. Require sponsor to explain any discrepancies between the deposit and ticket sales</p> <p>7. Make an entry in the appropriate GL account</p> <p>8. Issue receipt to sponsor/admissions manager</p> <p>9. Submit both the 280-50 and the unsold ticket roll to the business administrator/ticket controller for review.</p> <p>10. Transfer funds to receiving account</p> <p>11. Retain data until next internal audit</p>	
--	---	--

<p>Finding(s): Account Structure and Utilization</p> <ol style="list-style-type: none"> Instances of nonconformity – sometimes transactions were not classified properly in appropriate accounts <ol style="list-style-type: none"> Exchange accounts are to be used for one-time only transactions with receipts equaling disbursement and balancing to zero. Petty Cash account showed numerous transactions recorded in error (school does not have an actual petty cash fund) Numerous other accounts with transactions that were subsequently voided or corrected. <p>Recommendation(s):</p> <ol style="list-style-type: none"> Work with staff to put processes in place to ensure that proper approvals are obtained prior to the establishment of activity accounts for field trips, fund-raisers, admission events, and other school activities Counsel staff to ensure that no activity occurs until it has been approved and an account established 	<p>Principal Counsel faculty/staff to ensure that no activity occurs until it has been approved and an account established</p> <p>Business Administrator</p> <ol style="list-style-type: none"> Forward field trip and fund-raiser packets to SFS, approved course fee schedule - authorizing the establishment of an activity account Direct SFS to review account structure and ensure that accounts remain inactive until proper authorization is received <p>Financial Specialist</p> <ol style="list-style-type: none"> Refer to MCPS Financial Manual, p. 20-30 Ensure that accounting transactions conform with the <i>LAF Chart of Accounts</i> Activate accounts when authorized Adhere to MCPS rules, regulations and procedures when establishing accounts and recording transactions in the general ledger 	<ul style="list-style-type: none"> GL – cash & funds ledger
<p>Finding(s): Retail Sales Tax</p> <ol style="list-style-type: none"> The process used by the financial specialist to calculate and record sales tax was not efficient and was inconsistently performed. Records had not been retained to document the calculation of taxable sales, and sales tax was not always collected and remitted on taxable items. <p>Recommendation(s):</p> <ol style="list-style-type: none"> Refer to MCPS Financial Manual, p. 18-2 The school move toward full compliance and ensure that prices are set appropriately to include the tax so that activities do not generate losses. 	<p>Sponsor Collect retail sales tax on taxable merchandise (merchandise sold in the school store, yearbook, garments and personal property sold to students are subject to the collection of sales tax)</p> <p>Note: Tax does not apply to the sale of food, but under the sales tax definition, soft drinks, candy, confectionary items, water and ice <u>are not</u> considered food.</p> <p>Financial Specialist</p> <ol style="list-style-type: none"> Refer to MCPS Financial Manual, p.18-2 Calculate retail sales tax on taxable merchandise File a return for accumulated sales taxes for sales that occur between July 1 & June 30 and remit to the Comptroller of Maryland, no later than July 20 Forward sales tax return to SBA for review Retain on file until next internal audit 	<ul style="list-style-type: none"> Sales tax returns

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