


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

April 29, 2015

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
November 1, 2013, through February 28, 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 April 20, 2015 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 March 10, 2014, 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

The management of IAFs must be in accordance with good business practices that include sound accounting procedures and internal controls (see MCPS Financial Manual, p. 20-1). We again found internal control weaknesses that included inadequate or misleading transaction descriptions to substantiate checking account deposits, withdrawals, and transfers, as well as numerous errors and corrections. The MCPS Financial Manual, p. 20-10, provides guidance on IAF account structure and utilization for standardized consistency in reporting. We found instances of nonconformity, noting instances of transactions not being properly classified to record in appropriate accounts. Also, we

noted the School Funds Online (SFO) accounting software output was not always verified prior to issuing checks and receipts causing numerous voided and corrected entries. We recommend that the financial staff review the MCPS Financial Manual and SFO School User's Guide to ensure compliance by following proper procedures.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly and intact to the financial specialist together with a remittance advice. Cash should be counted in the presence of the remitter, and a receipt that is supported by the remittance advice should be issued promptly. We found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. Also, we found no clear process for securing funds collected by sponsors when the financial specialist was either unavailable to verify the funds or had already prepared the daily deposit. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-1, 7-3.

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. 20-4). 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 our sample of disbursements, we found prior approval was not consistently obtained. Many disbursements did not have adequate documentation to fully explain the reason for the expenditure, and some invoices did not match the check amount. 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, and that complete documentation be attached to fully explain the reason for the purchase.

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. Sponsors should record cost and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the financial specialist when a trip is completed. 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. We noted a few field trips in which fees collected were insufficient to pay all costs of the trips. We recommend the pricing of trips be more closely monitored and any deficiencies of funds be explained (see MCPS Financial Manual, p. 20-10).

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although the sponsors are submitting fund-raiser request and completion reports, and all reports are signed by the business administrator and you, many completion forms were not properly prepared to be able to evaluate the results. We found that the fund-raiser request form did not always have sufficient information to make an informed decision as to whether or not the fund-raiser should be implemented. Many sponsors indicated that they would conduct pre-sales of t-shirts by collecting funds prior to placing an order to the vendor for the exact quantity of items needed. However, finding unsold inventory negates the possibility that sponsors actually conducted pre-sales. We found many transactions were recorded in various accounts which made reconciliation of activity virtually impossible. We also noted several sponsors held funds instead of remitting to the financial

specialist on a daily basis. 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.

Summary of Recommendations

- IAF must be managed in accordance with sound accounting practices and effective internal control procedures (repeat);
- Funds collected by sponsors must be promptly remitted intact with MCPS Form 280-34 to the financial specialist (repeat);
- Funds should be safeguarded at all times;
- Purchase requests must be approved by the principal prior to procurement;
- Purchase documentation must be adequate to support disbursements (repeat);
- 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);
- Field trip planning should be reviewed to ensure established fees are commensurate with trip expenses (repeat); and
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund-Raiser* (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. Christopher Garran, associate superintendent of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

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

RECEIVED
MAY 11 2015

Attachment

Fiscal Management Action Plan

School: John F. Kennedy High School

Principal: Joe L. Rubens

Approved by associate superintendent: *[Signature]*

Date of approval: 5-12-15

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Internal Control</p> <ul style="list-style-type: none"> ✓ Inadequate or misleading transaction descriptions to substantiate checking account deposits, withdrawals, and transfers, as well as numerous errors and corrections. ✓ Transactions not properly classified to record in appropriate accounts. ✓ Sponsors holding funds collected rather than remitting them to FS on a daily basis. ✓ No clear process for securing funds collected when FS is unavailable 	<ul style="list-style-type: none"> • We agree with all the recommendations made in this audit. The FS (financial specialist) has taken action to eliminate numerous errors and corrections. From this point on the FS will record receipts by vendor name instead of indicating the sponsor's name. She will also refer to the chart of accounts prior to establishing new accounts. • Account managers will have access to a drop box/safe in a secure location near the financial office. In the absence of the FS, account managers will be instructed to seal funds in an envelope and deposit them into a drop box. They will also be instructed to return to the financial specialist to count and remit funds when FS becomes available. 	<p>Immediate</p>	<p>Accurate transaction descriptions Accurate Monthly Account Statements Remittance Receipts Availability of safe box</p>
<p>Disbursements</p> <ul style="list-style-type: none"> ✓ Prior approval not consistently obtained ✓ Disbursements did not have adequate documentation to fully explain the reason for the expenditure ✓ Invoices did not match the check amount 	<ul style="list-style-type: none"> • We agree with the auditors' comments and action has been taken on many of the recommendations specifically with regard to disbursements. We continue to work on becoming efficient and effective in ensuring that purchase request are approved by the principal prior to procurement and that documentation supports the disbursement. • FS will ensure that sponsors attach adequate documentation to their request. • SBA & Principal will review and approve 280-54 prior to FS generating a check. 	<p>Immediate</p>	<p>Adequate documentation upon disbursement. Completed 280-54</p>
<p>Field Trips</p> <ul style="list-style-type: none"> ✓ Not all FT sponsors provided comprehensive financial information to the FS at the completion of a trip. 	<ul style="list-style-type: none"> • We agree with the auditors' comments, and the following action will be taken to improve the situation. • Account managers will be required to reconcile their FT account by providing comprehensive financial information to FS, indicating a complete accounting of all students eligible to attend trip, date and amounts paid by those attending, as well as, those students receiving waivers and scholarships. • FS will collect and analyze all required information provided by the sponsor within 3 business days of processing all transactions. 	<p>Immediate</p>	<p>Field Trip Analysis Form Final Field Trip Accounting Form</p>

Fiscal Management Action Plan
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Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Fund-raising</p> <ul style="list-style-type: none"> ✓ • The fund-raiser request form did not always have sufficient information to make an informed decision as to whether or not the fund-raiser should be implemented; ✓ • Transactions were recorded in various accounts which made reconciliation of activity virtually impossible. 	<ul style="list-style-type: none"> • We acknowledge that there have been deficiencies in our fund-raising process. The FS and SBA will address these issues with sponsors through training. Sponsors will be required to adhere to what they have recorded on their approval forms. • FS, SBA & Principal will access the profitability of each fund-raiser prior to implementation or approval. • In addition the FS will ensure that transactions are being recorded in the appropriate accounts. 	<p>Immediate</p>	<p>Request for Fund-Raiser Form (All details provided by Sponsor & Reviewed by FS, SBA & Principal) Completed Fund-raiser Approval Form Fund-raiser Completion Forms Monthly Account Statements</p>

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