


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

July 19, 2016

MEMORANDUM

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

From: Roger W. Pisha, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2015, through April 30, 2016

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 the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The 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 the 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 June 29, 2016, with Ms. Keir Lewis, assistant principal, Mrs. Marjorie Bacon, school business administrator, and Ms. Wendy Davis, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated April 29, 2015, and the status of present conditions. It should be noted that Mrs. Bacon was assigned to her position effective July 1, 2015, and Ms. Davis was assigned to her position effective September 19, 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

The management of the IAF activities must be in accordance with good business practices that include sound accounting and internal control procedures. We found that staff did not have

adequate procedures in place for proper control and oversight of IAF. Delegation of signature authority for approval of the IAF activities should be limited with documentation dated upon signature. Many transactions were noted that lacked descriptions to fully explain the accounting entry. We also noted that the monthly bank statement, bank reconciliation report and ledger report were not always provided in a timely manner, signed and dated. We recommend coordination with your financial staff to establish processes to enhance control and oversight of IAF (see *MCPS Financial Manual*, chapter 20, page 1).

MCPS Form 280-54: *Independent Activity Fund Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see *MCPS Financial Manual*, chapter 20, page 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 the IAF requirements. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our random sample of disbursements, we found that some disbursements did not have adequate documentation to fully explain the reason for the expenditure, and invoices were not always signed by the receiver. The business office did not have a consistent process to follow up on advances of funds to ensure that staff returned receipts with any remaining funds in a timely manner. By requiring prior approval and complete documentation, the principal retains control over the expenditure of the IAFs. We recommend that MCPS 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.

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*, chapter 18, page 2). Our examination revealed that taxes were not collected on all taxable sales, and that not all taxes collected were remitted to the state. We recommend that the school comply with these requirements.

Fund-raising must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Although sponsors are submitting fund-raiser request and completion reports, and most reports are signed by the sponsor and the business administrator, data on the forms was inadequate. Requests often did not include estimated receipts, expenses, or sales tax considerations. Most completion reports either had errors in the total number of items for sale, or they did not account for remaining inventories; thus, it was not possible to determine whether all funds collected were remitted to the financial specialist. Some transactions were recorded in accounts unrelated to the fund-raiser account, and sometimes multiple fund-raisers were comingled in one account. 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.

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 agent 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 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 nor used for planning future trips. 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. We further recommend trip planning be reviewed to ensure established fees are commensurate with trip expenses (see *MCPS Financial Manual*, chapter 20, page10).

Admission receipts for athletic and nonathletic events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Event admission must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50: *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets. We noted in many instances that the ticket controller and admissions manager were not signing the appropriate line on ticket forms and the report auditor was not consistently recording the cash receipt number and date on the form. One event had ticket sales on multiple days but reporting was on one ticket form without separating each day's sales. All receipts from homecoming ticket sales were remitted for deposit all at one time. Ticket numbers of unsold prom tickets returned were not within the range of ticket numbers indicated on the ticket form as issued for sale. Also, we noted that tickets were not used for the exact change line at the homecoming football game. We recommend that procedures for sale of tickets be reviewed with appropriate staff prior to events, all tickets be serially numbered and issued by the ticket controller for all admission events, and that ticket sale proceeds be remitted to the financial specialist promptly.

A memorandum is issued annually with guidelines for management and accounting of external exam fees paid for students who are eligible for waivers and fee reductions. We found a lack of adherence to these guidelines. Waivers reported to MCPS had not been verified by the business staff and the request for reimbursement was significantly overstated. We found numerous errors in recording transactions so that account information needed for reconciliation of activities was unreliable. The monitoring spreadsheet used by the testing coordinator did not meet MCPS requirements, and many waiver forms were missing or not correctly completed. In addition, the exam assistance account balance did not reconcile to outstanding funds receivable. We recommend that you work with staff to ensure that procedures are in place to effectively manage external exam activities, and to ensure that waivers reported are accurate and well documented.

Summary of Recommendations

- Management of the IAF must be in accordance with good business practices (repeat).
- Monthly financial reports must be signed and dated by the principal to indicate review.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial specialist.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase documentation must be adequate to support disbursements (repeat).

- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser* (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).
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.
- School staff must adhere to guidelines for management and accounting for external exam fees.

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 Unit within 30 calendar days of this report, with a copy to Mr. Kevin E. Lowndes, director of school support and improvement of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:DKH:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Dr. Williams

Mrs. Chen

Mrs. DeGraba

Ms. Diamond

Mr. Lowndes

Mr. Ikheloa

FINANCIAL MANAGEMENT ACTION PLAN

School: John F. Kennedy High School

Principal: Joe Rubens

Fiscal Year: 2016

Associate Superintendent:

Darryl Williams

Director: Kevin Lowndes

Strategic Improvement Focus:

As noted in the financial audit for the period March 1, 2015, through April 30, 2016, strategic improvements are required in the following business processes :

- Management of the IAF must be in accordance with good business practices.
- Monthly financial reports must be signed and dated by the principal to indicate review.
- Monthly account history reports must be provided to sponsors for affirmation of transaction correctness and returned to the financial specialist.
- Purchaser must confirm receipt of goods or services prior to disbursement.
- Purchase documentation must be adequate to support disbursements.
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*.
- 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.
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.
- School staff must adhere to guidelines for management and accounting for external exam fees.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
<p>Sponsor Reports</p> <ul style="list-style-type: none"> School financial specialist will provide each sponsor a report for each month for affirmation of transaction correctness. Sponsors will be notified that their accounts will be placed on hold until the monthly reports are reconciled, signed, and return to financial specialist. 	Financial Specialist	Department Team leader will monitor sponsor reports Pre-service presentation posted on T-shared. Training Materials	Weekly meetings held with financial specialist to review sponsor reports	School Business Administrator and School Financial Specialist Monthly	Sponsors will review report, signed and return. Report will be filed for audit purposed.
<p>Sales Tax</p> <ul style="list-style-type: none"> Tax will be collected on taxable sales and remitted to the Comptroller of Maryland yearly by June 15th. 	Financial Specialist	A confirmation of payment will be printed	Sales tax file monitored in Outlook	School Business Administrator Quarterly	Verified payment and filed. A copy of payment given to school business administrator.
<p>IAF Policies and Procedures</p> <ul style="list-style-type: none"> Management of IAF in accordance with MCPS policies and Procedures. Financial specialist will review all IAF disbursements and receive daily. 	Financial Specialist	Create logs to track activity Pre-service presentation posted on T-shared. Training Materials	Weekly meetings held with school business administrator	School Business Administrator Weekly	Management of the IAF is in accordance with good business practices.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools /Data Points	Monitoring: Who & When	Results/Evidence
<p>Monthly Financial Reports</p> <ul style="list-style-type: none"> Monthly financial reports will be signed and dated by the principal to indicate review. 	Financial Specialist	Meeting with principal	School business administrator will review financial reports signed by the principal	School Business Administrator Monthly	Monthly financial reports are signed by principal
<p>Disbursements</p> <ul style="list-style-type: none"> Staff will sign all packing slips/invoices to confirm receipt of goods or services and to verify that all items have arrived before payment is made from IAF account. 	Financial Specialist	Create monitoring tool in excel to track activity Pre-service presentation posted on T-shared. Training Materials	During weekly meetings, SBA and FS will reviewed signed invoices prior to disbursement.	School Business Administrator Monthly	All packing slips and invoices are signed prior to disbursement from IAF and documentation is adequate to support disbursements.
<p>Fund Raising Finding</p> <ul style="list-style-type: none"> Fund-raising must conform to <i>Guidelines for Sponsoring an IAF Fund Raiser</i>. 	Financial Specialist School Business Administrator	Financial Manual Pre-service presentation posted on T-shared. Training Materials Process Map	During weekly meetings, SBA and FS will reviewed all fundraiser requests for compliance with MCPS guidelines	School Business Administrator Monthly	Fund-raising conforms to <i>Guidelines for Sponsoring an IAF Fund Raiser</i> .

<p>Field Trip finding</p> <ul style="list-style-type: none"> • Not all sponsors are submitting completed data at the conclusion of each field trip. • 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. 	<p>Financial Specialist School Business Administrator</p>	<p>Fieldtrip completion report Pre-service presentation posted on T-shared. Training Materials Process Map</p>	<p>School Financial Specialist will guide each sponsor through the entire field trip process</p>	<p>School Financial Specialist Daily School Business Administrator will review every field trip completion report Monthly</p>	<p>Field trip records have adequate data to account for all students eligible to participate, and the funds collected reconcile with the costs of the trip.</p>
<p>Admission Events</p> <ul style="list-style-type: none"> • Admission events will be conducted in accordance with MCPS Regulation DMB-RA. 	<p>School Business Administrator</p>	<p>Tickets and Cash Report of Admissions Manager Pre-service presentation posted on T-shared. Training Materials</p>	<p>Weekly meetings held with sponsors to review monitoring tools used to track good business practices</p>	<p>School Business Administrator Monthly</p>	<p>Admission events are conducted in accordance With MCPS Regulation DMB-RA</p>
<p>IB/AP External Exam Fees</p> <ul style="list-style-type: none"> • School staff must adhere to guidelines for management and accounting for external exam fees. • In order to qualify for a waiver, student waiver applications must be completely filled out by Parents. 	<p>Financial Specialist School Business Administrator</p>	<p>MCPS monitoring tool used to track applicants and fees paid Monthly meetings with the AP/IB Committee</p>	<p>Financial specialist and school administrator are on the committee Weekly meetings will be held with financial specialist and school administrator to review accounting for external exam fees</p>	<p>School Financial Specialist School Business Administrator</p>	<p>School staff is adhering to guidelines for management and accounting for external exam fees. AP/IB Committee has been established to review the process for AP/IB IB coordinator and Financial specialist reviews student waiver applications daily</p>

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSI) REVIEW & APPROVAL

Approved **Please revise and resubmit plan by** _____

Comments: _____

Director: _____ Date: _____