


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

January 28, 2019

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
September 1, 2017, through November 30, 2018

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. School 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 Board of Education policies, MCPS regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with 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 any significant errors or omissions in the financial records are detected.

At our January 15, 2019, meeting with you; Mrs. Marjorie D. Bacon, school business administrator; and Ms. Wendy M. Davis, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated November 10, 2017, 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

MCPS Form 280-54, *Independent Activity Funds Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. 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. Invoices for goods or services

must be signed by the purchaser to indicate satisfactory receipt (refer to *MCPS Financial Manual*, chapter 20, page 4). In our sample of disbursements, we found prior approval was not consistently obtained and documentation was not annotated by the recipient to indicate purchased goods or services were satisfactorily received. By requiring prior approval, the principal retains control over the expenditure of IAFs. We recommend that MCPS Form 280-54 be prepared by staff with an estimate of expected expenditures and signed by the principal at the time verbal approval is sought. Certain sponsors may benefit from having an annual budget detailing expected income and expenses and obtaining principal approval at the beginning of the school year. These budgets should be monitored by the school's financial agent and revised if necessary. We also recommend that purchasers sign invoices for goods or services to indicate satisfactory receipt of the quantity and quality of items.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. At the conclusion of an activity involving the sale of items, a completion report must be prepared that includes the total number of items for sale, selling prices, and any remaining inventories to determine whether all funds collected were remitted to the school financial specialist (refer to *MCPS Financial Manual*, chapter 20, pp. 12 - 13). If students are given a product to sell, there needs to be accountability for the number of items issued, returned unsold, and funds remitted. Following these internal control procedures provides for the accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the activity. In our sample, we noted that some fund-raising activities began before approval was obtained and several in which the completion reports submitted at the conclusion of the activity did not fully evaluate results. We also noted that athletic teams were conducting online fund-raisers that did not follow the procedures outlined in the September 14, 2017, memorandum from the deputy superintendent of school support and improvement (refer to attachment *Guidelines for Crowd-funding and Other Online Fundraising*). We recommend that principal approval be obtained prior to conducting fund-raising activities, that completion reports contain all required information, and that online activities conform with guidance contained in the *Guidelines for Crowd-funding and Other Online Fundraising* memorandum.

Sponsors of field trips should have a complete class or club roster of student names and annotate how much each student paid, date paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be turned in to the business office 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 not all sponsors are turning in 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, and provide complete data at the conclusion of each trip. This data must be reconciled with remittances recorded in activity accounts. We further recommend that trip planning be reviewed to ensure established fees are commensurate with trip expenses (refer to *MCPS Financial Manual*, chapter 20, page 10).

Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement (**repeat**).

- Purchaser must confirm receipt of goods or services prior to disbursement.
- Fund-raisers must be approved by the principal prior to advertising or conducting the activity.
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results.
- Fund-raising must conform to *Guidelines for Crowd-funding and Other Online Fundraising*.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate and to reconcile funds collected with the account history report (**repeat**).

Other matters were discussed and satisfactorily resolved. We appreciate the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, using the attached form, please provide a written response to the Internal Audit Unit within 30 calendar days of this report. In your response, please share a detailed plan for addressing these issues, including appropriate staff training and support.

Prior to returning your completed audit action plan, please contact Dr. Sarah E. Sirgo, director of learning, achievement, and administration, Office of School Support and Improvement. Based on the audit recommendations, Dr. Sirgo will indicate whether she will conduct an electronic review of your action plan or schedule a time to meet in person with you and your school business administrator to support you with developing a well-defined plan to address the findings.

RWP:MJB:lsh

Attachments

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Dyson

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Sirgo

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: January 29, 2019	Fiscal Year: 2019
School: John F. Kennedy High School	Principal: Mr. Joe L. Rubens
OSSI Associate Superintendent: Mrs. Cheryl L. Dyson	OSSI Director: Dr. Sarah E. Sirgo

Strategic Improvement Focus:
 As noted in the financial audit for the period **September 1, 2017-November 30, 2018**, strategic improvements are required in the following business processes:

- The principal must approve purchase requests prior to purchase and purchaser must confirm receipt of goods or services prior to disbursement.
- Fund-raisers must be approved by the principal prior to advertising or conducting the activity and must conform to Guidelines for Crowd-funding and other Online Fundraising.
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with account history report.

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
<p><u>Prior approval for disbursements:</u> Prior to purchasing instructional materials over \$100, form (280-54) will be completed by the purchaser (including the account number and current balance in the account), reviewed and monitored for completeness by the School Financial Specialist (SFS) and then, examined and signed by the School Business Administrator (SBA) and the principal. The (SFS) will cut the check after final approval.</p> <p><u>Action due date:</u> All receipts are expected the next business day. Any receipt beyond ten days will not be accepted. The purchaser must immediately confirm receipt of goods by dating and initialing the receipt or invoice. The purchaser will then submit the invoice/receipt to the (SFS) for review and prompt disbursement.</p> <p>As receipts are remitted, the (SFS) and the (SBA) will monitor all receipts to ensure that purchases always display itemized list and not just the amount spent.</p> <p>The date on the receipt will not exceed the approval date on form (280-54), unless the amount is under \$100 and</p>	School Financial Specialist (SFS) Purchasers School Business Administrator (SBA) Principal	Request for Purchase form, (280-54) Latest Monthly Account History Report Financial Manual 20:6-20:7 Memo on spending less than \$100. Memo on confirm receipt of goods. Pre-approved budget Receipt/Invoices dated and signed	Spread sheets will be used as data visualizations logs for tracking occurrences of non-compliance for purchases.	(SBA) and the (SFS) will review and monitor all requests for purchases, form (280-54) and supporting documentation as submitted to the Finance Office. SFS and SBA will circle the request date and the total amount spent (minus tax) on the receipt/invoice and form 280-54 when remitted. Principal will meet with (SBA) and (SFS) every Tuesday and	All purchases will conform to the MCPS <i>Accounting for Financial Operations/Independent Activity Funds Guidelines</i> . All purchases over \$100 will be reviewed, signed, and dated by the principal prior to any purchases being made. Upon receipt, all packing slips, invoices, and receipts will be signed by the purchaser to verify that all items have arrived and remit to the (SFS) within ten days so prompt payment can be made. Purchases without advance approval (using the 280-54 or pre-approved budget)

<p>the receipt must be remitted within ten days of dated receipt. The (SFS) and the (SBA) will review transactions for completion and accuracy daily.</p>				<p>Thursday to review supporting documentation and sign once the request is in compliance.</p>	<p>and requests for reimbursements outside of established guidelines will not be reimbursed.</p>
<p>Fundraisers: Prior to the start of the activity, requests for a fundraiser will be submitted for approval by the account sponsor. All fundraiser requests will be reviewed and monitored for completion by the School Financial Specialist (SFS). Then, the School Business Administrator (SBA) will examine them for accuracy and sign. After the principal has reviewed and signed the request, the (SFS) will assign an account number in the correct series and the SBA will add event to the master calendar.</p> <p>The (SFS) will immediately let the sponsor know if their request was approved and will tell them the account number.</p> <p>Funds collected from a fundraiser will be deposited by the sponsor daily to the (SFS) and receipted to the account series assigned by the (SFS).</p> <p>At the conclusion of the fundraiser, any remaining inventories will be remitted to the Finance Office. After all expenses have been paid, all profit will be transferred to the benefiting account.</p> <p>Action due date: A completion report will be prepared by the sponsor using the Account History Report. The completion report will include the total amount collected, total amount spent, number of items sold, and selling prices to determine the profit or loss and whether all funds collected were remitted to the (SFS) daily.</p>	<p>Account Sponsors</p> <p>School Financial Specialist (SFS)</p> <p>School Business Administrator (SBA)</p> <p>Principal</p>	<p>Request Approval for Fundraiser form</p> <p><i>MCPS Financial Manual</i>, chapter 20, pp. 12 - 13).</p> <p>Guidelines for Crowd-funding and Other Online Fundraising memorandum dated July 26, 2018</p> <p>Account History Report</p> <p>Fundraiser Completion Report</p> <p>Invoices/Receipts dated and signed</p> <p>Transfer Request Form</p>	<p>Fundraiser spread sheet will be used daily by the (SFS) and the (SBA) as data visualizations logs to guarantee that all fundraisers are starting after approval is granted by the principal.</p> <p>The (SFS) and (SBA) will track that funds are deposited daily into the correct account series.</p> <p>Account sponsors will monitor their Account History Reports for accuracy monthly.</p>	<p>The (SBA) and the (SFS) will review and monitor all fundraisers and supporting documentation such as flyers and brochures as submitted to the Finance Office.</p> <p>As requests are submitted, the principal will review all documents, approve or deny the request, and sign at weekly meetings.</p> <p>The (SBA) will add event to the master calendar and the (SFS) will assign an account number in the correct account series once the request is approved by the principal.</p>	<p>Fundraising at the school will conform to the <i>Guidelines for Sponsoring an Independent Activity Fund Fundraisers</i>.</p> <p>Discrepancies will be explained.</p>

<p>Field trips: The sponsors will submit to the (SFS), a complete class or club roster using the field trip accounting form, with student names, how much each student paid via cash or check, date of payment, list of students who did not participate in the trip, and waiver forms, 260-1 for each student that requested a waiver or a scholarship for reduced fees. The (SFS) and (SBA) will review all documents submitted for completion and accuracy.</p> <p>After all disbursements have been made, the (SFS) will compare remittances recorded in the field trip account to the field trip accounting spread sheet submitted by the sponsor to be sure they match.</p> <p>The School Business Administrator (SBA) will review the completion report for accuracy, approve the explanation of any shortage/overage and sign. The principal will then review and sign.</p> <p>Action due date: Upon completion of the field trip, the School Financial Specialist (SFS) and the School Business Administrator will work with the sponsor to generate a completion report to see if the fieldtrip was successful and to identify the necessary steps needed to avoid overages or shortages. The data will be used to estimate future trips.</p>	<p>Account Sponsors</p> <p>School Financial Specialist (SFS)</p> <p>School Business Administrator (SBA)</p> <p>Principal</p>	<p>MCPS Form 280-41, <i>Field Trip Accounting</i></p> <p>Field trip Completion Report</p> <p>Account History Report</p> <p>Student Waiver form MCPS Form (260-1)</p> <p>School Reimbursement for MCPS Substitute Teacher Coverage MCPS Form (203-2)</p> <p>iReceivables invoice or charter bus contract for transportation payment</p>	<p>Field trip spread sheets will be used as data visualizations logs to keep track of OSSI submission (if needed), transportation payments, substitute payments, and the completion report.</p>	<p>As requests are submitted, the principal will review all documents, approve or deny the request, and sign at weekly meetings.</p> <p>The (SBA) will add event to the master calendar and the (SFS) will assign an account number in the correct account series once the request is approved by the principal.</p>	<p>Field trips at the school will conform to the <i>Guidelines for Field Trip Accounting</i>.</p> <p>All records prepared by sponsors will provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with account history report.</p> <p>Discrepancies will be explained.</p>
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Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSSI) REVIEW & APPROVAL					
<p><input checked="" type="checkbox"/> Approved <input type="checkbox"/> Please revise and resubmit plan by _____</p> <p>Comments: <u>Procedures are regularly communicated and monitored. Principal, SBA, and SFA meet twice weekly. Areas of focus are relative to individuals and select events that need to be better monitored for recordkeeping and timeliness.</u></p> <p>Director: <u><i>Salma Jugo</i></u> Date: <u>2/14/19</u></p>					