


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

June 7, 2012

MEMORANDUM

To: Mrs. Elizabeth L. Thomas, Principal  
Kingsview Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
August 1, 2010, through February 28, 2012

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 June 4, 2012, with you, Mrs. Ericka Singleton, assistant principal, and Mrs. Elisabeth Gross, financial specialist, we reviewed the status of the conditions described in our prior audit report dated September 29, 2010, and discussed further actions needed to strengthen the accountability for IAF resources. 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

In order to properly control receipts, collected funds should be remitted promptly to the financial specialist along with MCPS Form 280-34, *MCPS Remittance Slip*, and deposited daily in the bank. We found instances in which funds were held, rather than remitted or deposited promptly. We

recommend staff be encouraged to submit cash and checks collected for IAF activities to the financial specialist for prompt deposit in accordance with MCPS policy and procedures (see MCPS Financial Manual, p. 7-4).

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. After the purchase is completed, the purchaser should submit appropriate documented evidence of purchase to the financial specialist. A check may then be drawn and it must bear two signatures, one of which is that of the principal or acting principal. In our sample of disbursements, we found that some did not have adequate documentation to fully explain the reason for the expenditure. Although low in dollar value, we noted some prohibited purchases of gift cards for staff members. We also noted some checks were signed before the amount was entered and some had only one signature. We recommend that purchasing be brought into conformity with MCPS requirements (see MCPS Financial Manual, pp. 20-5, 20-6).

In accordance with the August 4, 2008, memorandum from the chief operating officer (COO), the expenditure of general funds to provide refreshments for staff meetings (IAF account 11) and appreciation (IAF account 20) is \$45 per staff FTE per fiscal year. The allowable amount for meeting refreshments and appreciation was exceeded in fiscal years 2011 and 2012. We recommend adherence to the guidelines. In addition, we found instances in which expenditures for these items were incorrectly classified when recorded in the IAF accounts. Failure to correctly classify and record these expenditures increases the time required to determine whether guidelines have been followed, and decreases the value of your financial reports for decision making. We recommend you correctly classify and record these transactions for more accurate accountability.

The amount the school owed to MCPS was understated by \$7,220 in the annual financial reports for FY 2011. In order for the principal to make informed decisions on IAF management, it is important that sums owed by the school be correctly reported to more accurately reflect funds available.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found that there was a lack of adherence to these guidelines. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund raiser should be approved by the principal in writing with the approval retained in the school office. In addition, a completion report needs to be prepared that analyzes the results, and retained in the school office (see MCPS Financial Manual, p. 20-11).

Sales of PE uniforms should comply with the requirements outlined in the *Handbook for the Operation of School Stores*. We noted weaknesses over the accounting process for the sale of uniforms, and records of sums collected from students that could not be reconciled to records of sales. To improve controls, we recommend tracking of uniform sales on a spreadsheet that can be reconciled to records of account activity. In addition, inventory records should be adjusted



for sales, purchases, giveaways, and for garments that are damaged or obsolete. The inventory record should be compared to a physical count which should be performed at least annually. The inventory should be secured at all times to lessen the likelihood of loss.

#### Summary of Recommendations

- Funds collected must be promptly remitted by sponsors to the financial specialist and promptly deposited;
- Adequate documentation must be provided to support disbursements;
- Gift cards may not be purchased for staff members;
- Checks must be fully completed before being signed and must bear two signatures;
- Staff appreciation and meeting expenditures should not exceed \$45 per FTE per fiscal year without prior authorization from the COO and be recorded in the correct accounts;
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*; and
- Physical Education uniform sale and inventory processes should comply with the requirements outlined in the *Handbook for the Operation of School Stores*.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mrs. Gross. 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. LaVerne G. Kimball, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Mr. Bowers  
Dr. Lacey  
Mr. Talley  
Dr. Kimball  
Mrs. DeGraba  
Mrs. Milwit  
Mr. Doody

## Fiscal Management Action Plan

School: Kingsview Middle School  
 Approved by community superintendent: \_\_\_\_\_

Principal: Elizabeth L. Thomas  
 Date of approval: \_\_\_\_\_

Findings and Recommendations of School's Financial Report	Description of Resolution	Person(s) Responsible	Timeline	Evidence of Completion
<p><b>Finding:</b></p> <ul style="list-style-type: none"> <li>Collected funds should be remitted promptly to the Financial Specialist on form 280-34 and deposited daily in the bank.</li> </ul> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>Funds collected must be promptly remitted by sponsors to the Financial Specialist and promptly deposited</li> </ul>	<p>Staff will be reminded at pre-service of their duties when collecting funds for field trips, course fees, Media Center obligations, and the school store.</p> <p>Financial Specialist to obtain a night deposit bag and key for late deposits</p>	<p>Principal and Financial Specialist</p> <p>Financial Specialist</p>	<p>August 2012</p> <p>July 2<sup>nd</sup>, 2012</p>	<ul style="list-style-type: none"> <li>School wide staff training during pre-service week</li> <li>Copy of pre-service presentation will be posted on T-Shared and an attendance sign in sheet will be on record</li> <li>Attached Night Deposit agreement</li> </ul>
<p><b>Finding:</b></p> <p><b>Purchasing:</b></p> <ul style="list-style-type: none"> <li>Some purchase did not have adequate documentation</li> <li>Some gift cards were purchased for staff members (2)</li> <li>Checks were signed before the amount was entered and some had only one signature</li> </ul> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>Adequate documentation must be provided to support disbursements</li> <li>Gift cards may not be purchased for staff members</li> <li>Checks must be fully completed before being signed and must bear two signatures</li> </ul>	<p>Adequate documentations will be attached to each MCPS form 280-54</p> <ul style="list-style-type: none"> <li><u>NO</u> gift cards will be purchased for staff</li> <li>Checks will be signed after the amount is entered and will have 2 signatures.</li> <li>The checks referenced in the finding were to Sam's Club only. To resolve this finding, we obtained a Sam's Club Credit Card upon the recommendation of the auditor.</li> </ul>	<p>Financial Specialist</p>	<p>July 2<sup>nd</sup>, 2012</p> <p>Completed April 2012</p>	<ul style="list-style-type: none"> <li>School wide staff training during pre-service week</li> <li>Copy of pre-service presentation will be posted on T-Shared and an attendance sign in sheet will be on record</li> <li>Attached is a copy of the Sam's Club Credit Card</li> </ul>

<p><b><u>Finding:</u></b></p> <ul style="list-style-type: none"> <li>The allowable amount for meeting refreshments and staff appreciation was exceeded in fiscal years 2011 and 2012.</li> </ul> <p><b><u>Recommendation:</u></b></p> <ul style="list-style-type: none"> <li>Staff appreciation and meeting expenditures should not exceed \$45.00 per FTE per fiscal year without prior authorization from the Chief Operating Officer and be recorded in the correct accounts.</li> </ul>	<ul style="list-style-type: none"> <li>Review of balances on a monthly basis with the Principal</li> <li>Staff appreciation and meeting expenditures will not exceed \$60.00 per FTE per fiscal year according to the new memorandum from the Chief Operation Officer</li> </ul>	<p>Principal and Financial Specialist</p>	<p>Starting July 2012: new fiscal year and throughout the year</p>	<ul style="list-style-type: none"> <li>Monthly review of general ledger report</li> </ul>
<p><b><u>Finding:</u></b></p> <ul style="list-style-type: none"> <li>The amount the school owed MCPS was understated by \$7,220.00 in the annual reports for FY2011</li> </ul> <p><b><u>Recommendation:</u></b></p> <ul style="list-style-type: none"> <li>Accurately document all money owed to MCPS in the end-of-year report</li> </ul>	<ul style="list-style-type: none"> <li>The money not reported was for the EYP and for Intro to Middle School.</li> <li>All monies will be reported in the FY12 annual report</li> </ul>	<p>Financial Specialist</p>	<p>June 2012</p>	<ul style="list-style-type: none"> <li>The amounts will be in the end-of-the year report to MCPS</li> </ul>
<p><b><u>Finding:</u></b></p> <ul style="list-style-type: none"> <li>Lack of adherence to the <i>Guidelines for Sponsoring an Independent Activity Fund Raiser.</i></li> </ul> <p><b><u>Recommendation:</u></b></p> <ul style="list-style-type: none"> <li>Fund Raising must conform to the Guidelines for Sponsoring an IAF Fund Raiser</li> </ul>	<ul style="list-style-type: none"> <li>The Guidelines will be consistently followed for Sponsoring an IAF Fund Raiser.</li> <li>The paper work was found after the audit.</li> </ul>	<p>Principal and Financial Specialist</p>	<p>June 2012  August 2012</p>	<ul style="list-style-type: none"> <li>A copy of the paper work was emailed to Ms. Denning.</li> <li>School wide staff training during pre-service week</li> <li>Copy of pre-service presentation will be posted on T-Shared and an attendance sign in sheet will be on record.</li> <li>Fundraising packet is posted on T-Shared.</li> </ul>



<p><b><u>Finding:</u></b></p> <ul style="list-style-type: none"> <li>Weakness over the accounting process for the sale of uniforms and records of sums collected from students that could not be reconciled to records of sales</li> </ul> <p><b><u>Recommendation:</u></b></p> <ul style="list-style-type: none"> <li>Physical education uniform sale and inventory processes should comply with the requirements outlined in the <i>Handbook for the Operation of School Stores</i></li> </ul>	<ul style="list-style-type: none"> <li>The physical education uniform inventory was completed by the resource teacher.</li> <li>The resource teacher will create an excel spreadsheet to track inventory and sales.</li> <li>Principal will strongly suggest to resource teacher to attend an Excel Class in July.</li> </ul>	<p>PE Resource Teacher</p>	<p>August – September 2012</p>	<ul style="list-style-type: none"> <li>All records will be accurate</li> <li>The Financial Specialist will review the spreadsheet on a weekly basis during the first month of school.</li> </ul>
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*Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.*