

Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

October 23, 2012

MEMORANDUM

To: Ms. Dana E. Davison, Principal
Dr. Martin Luther King, Jr. Middle School

From: Roger W. Pisha, Supervisor, Internal Audit *MPisha*

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2010, through July 31, 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 October 11, 2012, with you and Mrs. Jean Marshall, financial specialist, we reviewed the status of the conditions described in our prior audit report dated December 21, 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 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

staff appreciation (IAF account 20) was \$45 per staff FTE per fiscal year through June 30, 2012. Also, staff development accounts must be limited to funding sources that are clearly not designated student funds. You exceeded the amount allowed for staff refreshments and staff appreciation for fiscal years 2011 and 2012, and you used student funds to support staff development. We found instances in which expenditures for these items were incorrectly classified and recorded in various accounts. Such commingling increases the time required to determine whether or not 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 as well as adhere to the guidelines from the COO. It should be noted that the April 16, 2012, memorandum from the COO adjusted the expenditure guideline from \$45 to \$60 per FTE effective fiscal year 2013.

Summary of Recommendations

- Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded with the combined total not exceeding a specified amount for a fiscal year without prior approval of the COO (repeat); and
- Staff development expenditures must be funded from non-student revenue sources.

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. LaVerne G. Kimball, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:DH:sd

Copy to:

Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Dr. Marks
Dr. Kimball
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

DR. MARTIN LUTHER KING, JR. MIDDLE SCHOOL

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November 20, 2012

MEMORANDUM

To: Roger Pisha
From: Dana E. Davison, Principal
Subject: Recent audit

I appreciated the opportunity to meet and discuss with Ms. Dena Horton, the findings in my recent audit. To ensure recommendations from this audit do not become a reoccurring pattern, Mrs. Jean Marshall, financial specialist, and I have met to review the summation of the audit and detail a plan to ensure we utilize our IAFs in accordance with MCPS policies, regulations and procedures.

Please see below for actions that Mrs. Marshall and I have committed to completing in order to regain compliance in the two areas cited in the audit report.

Audit Finding	Rationale for Occurrence at the School Level	Actions to Ensure Future Compliance
1. Staff appreciation and meeting refreshment expenditures must be correctly classified and recorded with the combined total not exceeding a specified amount for a fiscal year without prior approval of the COO.	<ul style="list-style-type: none">• \$521.00 was used to pay for meeting refreshments for staff from Student Services, OSSI and visiting schools who supported the school community during the deaths of Jane and William McQuain. I was not aware that an approval request could be submitted to Mr. Larry Bowers's office to support schools with unexpected situations.• \$923.00 was used from FY2012 SERT and PBIS to fund meeting refreshments and staff appreciation items that were directly associated with these areas. I was not aware that funds used to support these programs even for staff were still directly attached to meeting refreshments and staff appreciation.	<ul style="list-style-type: none">• Mrs. Marshall and I have met to identify events and items that will be purchased with staff appreciation and meeting refreshment funds for the duration of the school year. This will help with being more purposeful with spending, stay within the \$60.00 per FTE and decrease the likelihood of incorrect classification of any expenditure.• Mrs. Marshall and I will continue to meet monthly to discuss school finances.• I will take a refresher course in School Finance Training- Part I. The date of the last course I attended was August 3, 2009. This will support my knowledge and ability to correctly spend the allotted \$60.00 per FTE.
2. Staff development expenditures must be funded from non-	<ul style="list-style-type: none">• I was not aware that the General Fund could not be used to support staff development expenditures.	<ul style="list-style-type: none">• All future staff development items will be paid from non-student funds, such as Staff

Ms. Dana E. Davison
Principal

student revenue sources.		<p>Vending or CIF Interest.</p> <ul style="list-style-type: none"> • I will take a refresher course in School Finance Training – Part I. The date of the last course I attended was August 3, 2009. This will support my knowledge and ability to correctly spend the allotted \$60.00 per FTE. • Mrs. Marshall and I will continue to meet monthly to discuss school finances.
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Please let me know if you have questions and suggestions about the actions highlighted to ensure future compliance with IAF accounts and procedures. By successfully implementing these strategies, I look forward to being in full compliance with these areas during the next school audit.

DED/sm

cc: Dr. LaVerne Kimball

Enclosure: FY 2013 MLK Budget for Meeting Refreshments and Staff Appreciation

ACCOUNT 11			
Description	Expense	Income	
Refreshments RT meeting 7/19	\$ 138.18	MCPs Guideline \$60.00 X73 FTE:	
Refreshments ILT meeting 8/14	\$ 67.50	\$ 4,380.00	
Refreshments Staff Luncheon 8/24	\$ 337.60		
Refreshments ILT meeting 7/16	\$ 34.72		
Refreshments Bus Drivers Mtg 10/2	\$ 72.94		
Refreshments Staff Breakfast 8/20	\$ (53.90)	Reimbursed by PTSA	
Refreshments SV Cluster Crisis Mtg 10/31	\$ 61.12		
Refreshments Staff Mtg AYP 8/20	\$ 54.86		
Paper Goods, coffee supplies	\$ 121.15		
Refreshments Staff Mtg 10/1, ILT Mtgs Oct	\$ 81.70		
Total Incurred Expenses	\$ 969.77		
Budget:			
Staff Meeting Refreshments (Nov - May)	\$ 200.00		
Staff Meeting Refreshments (6/14/12)	\$ 650.00		
Paper Goods, coffee supplies	\$ 150.00		
Total Budgeted Expenses	\$ 1,000.00		
ACCOUNT 20			
SERT Recognition Mtg.	\$ 289.20		
Back-to-School Night dinner for staff	\$ 161.57		
MLK Pens for August inservice	\$ 35.00		
Note Caddy for Nat'l Staff Apprec Week 2013	\$ 232.90		
Total Incurred Expenses	\$ 718.67		
Budget:			
MSA Staff Incentives:			
I Believe in You shirts, new staff only	\$ 134.00		
Breakfast items for staff	\$ 70.00		
MSA Prize Patrol	\$ 75.00		
Loaves of Plenty	\$ 75.00		
Thanksgiving Prize Patrol	\$ 35.00		
Holiday Prize Patrol	\$ 100.00		
Pie Day	\$ 120.00		
Building Service Polo Shirts	\$ 250.00		
National Staff Appreciation pops, popcorn	\$ 50.00		
Total Budgeted Expenses	\$ 974.00		
GRAND TOTAL	\$ 3,597.44	\$ 4,380.00	
Approved by:		Date:	