


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

August 19, 2013

MEMORANDUM

To: Mr. Alton E. Sumner, Principal  
North Bethesda Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
November 1, 2011, through June 30, 2013

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 August 16, 2013, with you, and Mrs. Julie Johnson, financial specialist, we reviewed the status of the conditions described in our prior audit report dated January 10, 2012, 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

In order to properly control receipts, they should be remitted promptly to the financial specialist, counted in the presence of the remitter and a receipt issued. Checks should be restrictively endorsed immediately upon receipt. We found instances in which there was a delay in

remittance of funds to the financial specialist. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. At the conclusion of each fund raising activity, the sponsor is required to submit a completion report to enable evaluation of the activity. We found that completion reports for several activities completed in the 2013 school year had not been submitted as of the dates of our visit. 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 (see MCPS Financial Manual, p. 20-11).

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides procedures for the accounting for sales of admission tickets. While we found receipts from most events were properly controlled, tickets for the spring play were printed and numbered at the school by the event sponsor. This effectively eliminated the vital control that results from having all tickets distributed by a ticket controller who is independent of the event sponsor. We recommend that admission to all events be controlled in accordance with the above cited regulation.

#### Summary of Recommendations

- Funds collected must be promptly remitted by sponsors to the financial specialist (repeat);
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*; and
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA.

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. Darryl L. Williams, associate superintendent of middle schools. The Office of School Support and Improvement will follow up on this audit.

RWP:LS:sd

Copy to:


Mr. Bowers	Dr. Williams
Dr. Statham	Mrs. DeGraba
Dr. Schiavino-Narvaez	Mrs. Milwit
Mr. Sanderson	Mrs. Chen

North Bethesda Middle School

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## Memo

**Date:** 9/6/2013  
**To:** Roger Pisha, Supervisor, Internal Audit ✓  
**Cc:** Dr. Darryl L. Williams, Associate Superintendent  
**From:** Alton Sumner, Principal   
North Bethesda Middle School  
**RE:** Response to Report of Audit on IAF for the  
Period November 1, 2011 through June 30, 2013

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### Response to Finding and Recommendations

1. The financial specialist and the principal will reiterate to staff their responsibility and the importance of prompt remittance of student funds. This message will be conveyed at staff meetings throughout the year and during one-on-one activity planning with sponsors.
2. The financial specialist and the principal will reiterate to staff their responsibility and the importance of completing Fundraiser Closing Reports promptly. This message will be conveyed at staff meetings throughout the year and during one-on-one planning with sponsors.
3. The financial specialist will work with the drama director to ensure that drama productions use sequentially number admission tickets, produced and numbered by an outside source and delivered directly to the financial office. This information will be conveyed during one-on-one planning with the sponsors.