


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 23, 2012

MEMORANDUM

To: Ms. Lance Dempsey, Principal
Northwest High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
November 1, 2010, through December 31, 2011

This audit report presents the results of our examination of the financial records, reports, and internal accounting controls relating to the Independent Activity Funds (IAF) for your school for the period designated above. The examination was made to evaluate the adequacy of accountability over these funds, compliance with applicable Montgomery County Public Schools (MCPS) policies and procedures, and effectiveness of IAF management.

In our meeting on March 9, 2012, with you, Mrs. Lori C. Knight, business administrator, Ms. Linda Beach, substitute financial specialist and Ms. Kathy L. McCauley, administrative secretary, we reviewed conditions described in our previous report dated March 25, 2011, and the status of present conditions. Our findings and recommendations appear below.

Findings and Recommendations

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be promptly remitted intact to the financial specialist using MCPS Form 280-34, *Independent Activity Fund Remittance Slip*. The funds should be counted in the presence of the remitter who should promptly be issued a receipt for the amount of funds received. We again found instances of delays for sponsors being issued receipts and of sponsors holding funds collected rather than remitting them to the financial specialist on a daily basis. We also found that the financial specialist exceeded cash holding authority by not always making timely deposits to the bank. Large or infrequent deposits increase the possibility for loss of funds, diminish the schools ability to fund activities, and are contrary to sound fiduciary responsibility. To improve controls, we recommend adoption of the procedures outlined in chapter 7 of the MCPS Financial Manual.

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase (see MCPS Financial Manual, p. 20-5). 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. In our sample of disbursements, we again found prior approval was not obtained when required for many purchases and invoices were not always signed by the receiver. By requiring prior approval and complete documentation, the principal retains control over the expenditure of IAF funds. We also noted that budgets had been prepared, but had not been signed to indicate approval. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses with principal approval at the beginning of the school year. These budgets should be monitored by the financial specialist and revised if necessary.

Sponsors of field trips should have a complete class or club roster of student names to annotate how much each student paid, students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be submitted to the financial agent at the completion of each trip, and compared to remittances recorded in the trip account reconciliation report. The data should also be used to estimate future trips. We again found that not all sponsors are submitting completed data at the conclusion of each trip, and that data is not being compared to the final account reconciliation report nor used for planning future trips. We also found instances in which fees collected were not sufficient to pay for all expenses of a trip. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording 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, p. 20-9).

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged as well as the number of books distributed free of charge (see MCPS Financial Manual, p. 20-11). The records kept by the yearbook sponsor did not enable us to reconcile the number of books purchased with the number sold, given free, and the remaining inventory. We were therefore unable to determine that all funds generated from this activity had been remitted. We recommend the yearbook sponsor be informed of proper procedures and assisted as needed with the record-keeping required for this activity.

The monthly bank statement shall be delivered directly to the principal for review of the statement, canceled checks, and other documents. If check images have not been provided by the bank, the principal should have electronic access to the cleared checks via the bank's online system in order to identify the payee on any questionable check (see MCPS Financial Manual, p.20-8). Documents supporting the IAF reports, including bank statements and canceled checks, are part of the financial records and should be maintained in the school office. We noted that during the audit period the school was not receiving copies of canceled checks from the bank, which prohibited the review of checks written during the audit period. We recommend the bank be requested to provide images of canceled checks each month or provide access to cleared checks through online banking. Check images should be printed each month and presented to principal for review together with the bank statement (see MCPS Financial Manual, p. 20-9).

Summary of Recommendations

- Funds collected must be remitted promptly and intact by sponsors to the financial agent using MCPS Form 280-34 (repeat);
- Funds received from sponsors must be promptly verified and deposited by the financial agent (repeat);
- Purchase requests must be approved by the principal prior to procurement (repeat);
- Receipt of goods or services must be confirmed prior to disbursement (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);
- Yearbook profit or loss statement must be prepared to account for all activity; and
- Monthly bank statement should include cancelled checks or imaged checks.

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 Performance will follow up on this audit.

RWP:MJB:sd

Copy to:

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

Northwest High School

13501 Richter Farm Road
Germantown, Maryland 20874
Phone: 301-601-4660
Fax: 301-601-4662

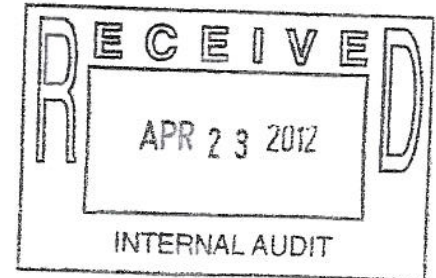


Office of the
Principal

April 12, 2012

MEMORANDUM

To: Mr. Roger Pisha, Supervisor, Internal Audit
From: Mrs. Lance Dempsey, Principal
Subject: Response to the Report on Audit of Independent Activity Funds



In response to the Report of Audit on Independent Activity Funds conducted for the period of November 1, 2010, through December 31, 2011, the Northwest High School Business Office will implement the following actions:

Audit Findings	Action Taken	Completion Date
FS was collecting money for parking permits instead of an independent person who does not handle money.	BA collects for parking permits.	November 2011
Money was being held by staff members.	Business Office has reminded staff that deposits need to be made on a daily basis.	Immediately and ongoing
FS would hold money and take cash collected to bank in a separate deposit from the checks collected and at times on different days. General ledger showed receipt numbers out of order and not in date order.	FS has since been replaced with a sub and cash handling has improved. Cash and checks are deposited together on a daily basis. General ledger transfers are now in dated order.	November 2011
Invoices for goods or services not marked to indicate satisfactory receipt.	FS stamps invoices paid with date.	Immediately
Purchases not preapproved (including instances of items purchased from budgets not approved and/or dated).	Business Office has reminded staff that all purchases must be preapproved. All future budgets will be signed and dated by sponsor/principal.	Immediately and ongoing

Audit Findings	Action Taken	Completion Date
FY12 trip sponsors have not turned in any field trip accounting forms or equivalent.	Business Office contacted all field trip sponsors and obtained completed accounting forms or equivalent showing number of students who attended, amounts paid and date paid.	Immediately and ongoing
Did not submit cost of subs for a trip in FY12.	BA submitted payment to MCPS for cost of subs.	Immediately
Chess Team had hotel expense in with a local trip to Baltimore; Chorus trip to NY did not have any records to reconcile number of students and amounts paid; one trip paid for MCPS bus plus a charter bus with no explanation.	Business Office spoke to sponsors individually regarding keeping trip expenses separate and in the appropriate accounts, as well as planning and monitoring a trip throughout. Obtained chorus trip records.	Immediately
Insufficient information to enable a reconciliation of the 2011 yearbook.	Yearbook advisor met with auditors and obtained all necessary documentation from the Business Office.	Immediately
School was not receiving copies of their canceled checks.	BA called bank and requested copies of canceled checks.	Immediately

It is our commitment to strive for ongoing improvement, refining the processes and imparting sound financial practices to all staff.

LD:lk

Copy to:
Dr. Kimball