


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

June 27, 2013

MEMORANDUM

To: Mr. Mark E. Kelsch, Acting Principal
Northwood High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
August 1, 2011, through December 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 June 11, 2013, with you and Ms. Suzy Duong, business administrator, we reviewed the status of the conditions described in our prior audit report dated September 28, 2011, 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

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 or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, must be submitted to the financial specialist. In our sample of disbursements, we again found invoices were not always

signed by the purchaser to indicate satisfactory receipt. In addition, some disbursements did not have adequate documentation to fully explain the reason for the expenditure. We recommend conformity with MCPS purchasing requirements.

In order to properly control receipts, cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the financial specialist on the day they are received, accompanied by a completed MCPS Form 280-34, *MCPS Remittance Slip*. These receipts must be deposited promptly. As was previously reported, staff continued to hold funds rather than promptly remitting them to the financial specialist. In addition, staff sometimes submitted incomplete remittance slips. We also noted that the former financial specialist did not always make timely deposits. To minimize the risk of loss, all funds collected should be remitted daily for prompt deposit to the bank. To improve controls, we recommend close adherence to the procedures in the MCPS Financial Manual, pp. 7-3 through 7-5.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We again found that, completion reports forms, when prepared, lacked a meaningful analysis of results. Forms were missing for some fund raisers. For these reasons, it was not possible to determine whether all sums collected were remitted to the financial specialist. We also noted that athletic fund raisers were not recorded in the designated series of accounts. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.

Field trips must be conducted in accordance with MCPS Regulation IPD-RA, *Travel-Study Programs, Field Trips and Other Student Organization Trips*. Trip approval forms signed by the principal (and community superintendent, when required), should be retained. The financial specialist should establish a separate account in the IAF for each trip to record all transactions related to the trip. Sponsors should record student roster and fee information for each field trip on MCPS Form 280-41, *Field Trip Accounting*, or equivalent, and submit the data to the financial specialist when a trip is completed (see MCPS Financial Manual, p. 20-9). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We found that most field trip sponsors continued to not use Form 280-41, making reconciliation of receipts difficult. We also found that trip approval forms were sometimes not on file. Payment for some trip expenses, such as transportation and the use of MCPS substitutes, was not recorded in some completed field trip accounts. We could not determine if these expenses remained outstanding or had been paid from unrelated accounts. We recommend all sponsors be required to follow the procedures outlined above and that they be provided more guidance by the business office in setting fees.

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. Unless prohibited, a principal may delegate in writing the authority to transact financial business to another individual. Any delegation impacting IAF actions shall be updated each fiscal year and filed in the school financial office (see MCPS Financial Manual, p. 20-3). Although we found no annually updated written delegation on file, we noted various documents signed by an assistant principal acting in the principal's absence. We recommend the principal sign, at the beginning of each fiscal year, a memo designating an acting principal.

Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their accounts and be

required to verify that transactions have been correctly recorded. We found several sponsors did not return these statements. We recommend sponsors be required to review and resolve any discrepancies in their accounts and return the signed statements to the financial specialist. We recommend a procedure be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. Card members must record purchases on transaction logs, sign the logs to certify completeness and compliance, and submit the logs monthly with invoices and receipts attached for timely review and approval by the principal. We found some logs were not prepared monthly, and we were unable to confirm the timely review of some others. One card member used an obsolete MCPS Form 234-21, *Purchasing Card Card Member Transaction Log*, that lacked the certification statement. We also noted a purchase split to circumvent transaction limits, and the apparent use of a card by someone other than the card member. Action is needed to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

In accordance with MCPS Regulation EGD-RA, *Telephone Services and Costs*, MCPS provides cellular service to employees whose job responsibilities regarding the health and safety of students and staff require immediate communications and decision making, increase productivity, or increase service to the public. Smartphones, such as Blackberries or iPhones, have computer as well as telephone features, and as such are also subject to MCPS Regulation IGT-RA, *User Responsibilities for Computer Systems, Electronic Information, and Network Security*. We noted that IAF funds were used to provide additional service to four employees with smartphones enrolled in a service plan that allowed each phone a high number of voice minutes, unlimited text messaging, and unlimited broadband data service that cost the school \$3,360 annually. Monthly invoices on file for this service consisted of only total charge summaries with no detail of usage. School administration was not routinely receiving detail from the service provider to analyze voice, text, or other data usage. We recommend that school administration review the issuance of school-owned phones to assure compliance with the above cited MCPS regulations, and that the equipment and service plan meets the goal of the school's educational and business purposes at the most cost-effective price. We further recommend that detailed invoices be obtained and reviewed for appropriate usage, fulfilling administrators' fiduciary responsibility to provide independent oversight of the use of student funds.

Summary of Recommendations

- Receipt of goods or services must be confirmed prior to disbursement (repeat), with adequate documentation provided to support disbursements;
- Funds collected must be promptly remitted by sponsors to the financial agent (repeat), using a completed MCPS Form 280-34, and promptly deposited in the bank;

- Fundraiser completion reports prepared by sponsors must provide sufficient information to analyze results (repeat), and athletic fund raisers must be reported in the proper account series;
- 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);
- Signed approval forms must be on file for all field trips, and all trip expenses should be recorded in the trip's ledger account;
- Any delegation of the principal's authority must be in writing, updated annually, and filed in the school financial office;
- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial agent;
- Purchase card activity, documentation, and review must be in compliance with the MCPS *Purchasing Card User's Guide*;
- Cell phone equipment, issuance, and service levels should be reviewed to assure an educational or business necessity, met at a cost-effective price; and
- Monthly cell phone invoices must be reviewed to assure usage is for the benefit of the school.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Ms. Duong. 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. Christopher S. Garran, associate superintendent of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:DKH:sd

Copy to:

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

RECEIVED

JUL 30 2013

Attachment

Fiscal Management Action Plan

School: Northwood High School

Principal: Mildred Charley Greene

Approved by community superintendent:  Date of approval: 8/5/13

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>In order to properly control receipts, cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the financial specialist on the day they are received, accompanied by a completed MCPS Form 280-34, <i>MCPS Remittance Slip</i>. These receipts must be deposited promptly. As was previously reported, staff continued to hold funds rather than promptly remitting them to the financial specialist. In addition, staff sometimes submitted incomplete remittance slips. We also noted that the former financial specialist did not always make timely deposits. To minimize the risk of loss, all funds collected should be remitted daily for prompt deposit to the bank. To improve controls, we recommend close adherence to the procedures in the MCPS Financial Manual, pp. 7-3 through 7-5.</p>	<p>Pre-service training will be provided annually for all IAF sponsors to ensure timely collection and deposit of funds to the financial specialist; the financial specialist will show due diligence in making daily deposit to the bank; all staff will be referred to the Northwood Financial Manual, available electronically on Northwood's T-Share folder, for additional guidance and assistance.</p>	<p>Ongoing</p>	

<p>MCPS Form 280-54, <i>Request for a Purchase</i>, 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 or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, must be submitted to the financial specialist. In our sample of disbursements, we again found invoices were not always signed by the purchaser to indicate satisfactory receipt. In addition, some disbursements did not have adequate documentation to fully explain the reason for the expenditure. We recommend conformity with MCPS purchasing requirements.</p>	<p>All 280-54, <i>Request for a Purchase</i>, will have principal's signature prior to any purchases with a clear and concise explanation of purchase; all receipts/documentation of purchase satisfaction will be included in the paperwork. All staff will be referred to the Northwood Financial Manual, available electronically on Northwood's T-Share folder, for additional guidance and assistance.</p>	<p>Ongoing</p>	
<p>Fund raising at the school must conform to the <i>Guidelines for Sponsoring an Independent Activity Fund Raiser</i>. We again found that, completion reports forms, when prepared, lacked a meaningful analysis of results. Forms were missing for some fund raisers. For these reasons, it was not possible to determine whether all sums collected were remitted to the financial</p>	<p>With new School Funds Online services, all series of account numbers are in compliance with MCPS standard; fundraising activities will be closely monitored by the school business administrator and financial specialist to ensure proper analysis of profit and loss.</p>	<p>Ongoing</p>	

<p>specialist. We also noted that athletic fund raisers were not recorded in the designated series of accounts. Following internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event.</p>			
<p>Field trips must be conducted in accordance with MCPS Regulation IPD-RA, <i>Travel-Study Programs, Field Trips and Other Student Organization Trips</i>. Trip approval forms signed by the principal (and community superintendent, when required), should be retained. The financial specialist should establish a separate account in the IAF for each trip to record all transactions related to the trip. Sponsors should record student roster and fee information for each field trip on MCPS Form 280-41, <i>Field Trip Accounting</i>, or equivalent, and submit the data to the financial specialist when a trip is completed (see MCPS Financial Manual, p. 20-9). The record of the names of participants and sums collected strengthens internal controls by enabling the reconciliation of receipts to sums recorded in the field trip account. We found that most field trip sponsors continued to not use Form 280-41, making reconciliation of receipts difficult. We also found that trip approval forms were sometimes not on file.</p>	<p>School Business Administrator will meet with individual teachers who want to plan a class field trip for approval. Teachers will be provided with a check list when planning a class field trip to ensure compliance with MCPS policies and procedures. All staff will be referred to the Northwood Financial Manual, available electronically on Northwood's T-Share folder, for additional guidance and assistance.</p>	<p>Ongoing</p>	

<p>Payment for some trip expenses, such as transportation and the use of MCPS substitutes, was not recorded in some completed field trip accounts. We could not determine if these expenses remained outstanding or had been paid from unrelated accounts. We recommend all sponsors be required to follow the procedures outlined above and that they be provided more guidance by the business office in setting fees.</p>			
<p>Unless prohibited, a principal may delegate in writing the authority to transact financial business to another individual. Any delegation impacting IAF actions shall be updated each fiscal year and filed in the school financial office (see MCPS Financial Manual, p. 20-3). Although we found no annually updated written delegation on file, we noted various documents signed by an assistant principal acting in the principal's absence. We recommend the principal sign, at the beginning of each fiscal year, a memo designating an acting principal.</p>	<p>A letter signed by the principal is on file in the business office delegating in writing the authority to transact financial business in the absence of the principal.</p>	<p>July 1, 2013</p>	<p>Copy of letter is attached.</p>
<p>Sponsors of school activities which involve the collection or disbursement of IAF should be provided an account statement for each month in which transactions have been recorded in their accounts and be required to verify that</p>	<p>Sponsors will continue to receive and return signed monthly reconciliation reports; protocol and procedure have been set regarding sponsors who do not comply with requests.</p>		

<p>transactions have been correctly recorded. We found several sponsors did not return these statements. We recommend sponsors be required to review and resolve any discrepancies in their accounts and return the signed statements to the financial specialist. We recommend a procedure be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).</p>			
<p>Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS <i>Purchasing Card Users Guide</i>. Card members must record purchases on transaction logs, sign the logs to certify completeness and compliance, and submit the logs monthly with invoices and receipts attached for timely review and approval by the principal. We found some logs were not prepared monthly, and we were unable to confirm the timely review of some others. One card member used an obsolete MCPS Form 234-21, <i>Purchasing Card Card Member Transaction Log</i>, that lacked the certification statement. We also noted a purchase split to circumvent transaction limits, and the apparent use of a card by someone other than the card member. Action is needed to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.</p>	<p>Meeting has been set to meet with selected staff with the American Express Purchasing Card covering card holder's responsibilities. Monthly email reminders from the business office to ensure timely submission of transaction logs.</p>	<p>August 2013 Ongoing</p>	

In accordance with MCPS Regulation EGD-RA, *Telephone Services and Costs*, MCPS provides cellular service to employees whose job responsibilities regarding the health and safety of students and staff require immediate communications and decision making, increase productivity, or increase service to the public. Smartphones, such as Blackberries or iPhones, have computer as well as telephone features, and as such are also subject to MCPS Regulation IGT-RA, *User Responsibilities for Computer Systems, Electronic Information, and Network Security*. We noted that IAF funds were used to provide additional service to four employees with smartphones enrolled in a service plan that allowed each phone a high number of voice minutes, unlimited text messaging, and unlimited broadband data service that cost the school \$3,360 annually. Monthly invoices on file for this service consisted of only total charge summaries with no detail of usage. School administration was not routinely receiving detail from the service provider to analyze voice, text, or other data usage. We recommend that school administration review the issuance of school-owned phones to assure compliance with the above cited MCPS regulations, and that the equipment and service plan meets the goal of the school's educational and

Cell phone assignment will be reviewed by the principal to determine needs for school officials.

Ongoing

business purposes at the most cost-effective price. We further recommend that detailed invoices be obtained and reviewed for appropriate usage, fulfilling administrators' fiduciary responsibility to provide independent oversight of the use of student funds.

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.