


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 23, 2012

MEMORANDUM

To: Mrs. Jeanette E. Dixon, Principal
Paint Branch High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
October 1, 2010, through January 31, 2012

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 13, 2012, with you, Mrs. Benie L. King, business administrator, and Mrs. Cindy A. Saul, financial specialist, we reviewed conditions described in our previous report dated January 6, 2011, and the status of present conditions. Our findings and recommendations appear below.

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) is \$45 per staff FTE per fiscal year. We again found you exceeded this allowable amount for fiscal year 2011. We also found instances in which expenditures for these items were incorrectly classified and recorded in various other accounts. For example, several of the Kindles purchased for staff were recorded in the library account, and meals purchased for coaches were recorded in the athletic account. Incorrect identification of these disbursements 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 and transparency to adhere to the guidelines in the August 4, 2008, memorandum from the COO.

Payments for personal services must comply with federal tax requirements regarding the reporting of income and the withholding of taxes. In accordance with the COO's memo of November 1, 2005, payments to employees must be made through the MCPS payroll system.

We noted that an employee was paid \$1,000 directly from the IAF for services as the AP Coordinator rather than through the MCPS payroll system. We recommend that all payments for personal services be made and reported in compliance with the applicable regulations and procedures.

We found that four laptop computers, a digital camera, and four iPads purchased with IAF funds were not added to the school inventory as required. All equipment acquired by a school becomes the property of MCPS (see MCPS Financial Manual, p. 20-13). MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*, provides guidance for adjusting the school inventory to account for property acquisitions and disposals. The application of property identification decals improves inventory control over equipment purchases. We recommend all purchases of equipment be coordinated with the MCPS Division of Procurement to assure compliance with approval and control processes (see MCPS Financial Manual, p. 20-4). In addition, whenever any MCPS property leaves the school building for an extended period of time, the appropriate administrator should complete MCPS Form 234-23, *Receipt and Bond Form for Equipment Loan* (see MCPS Financial Manual, p. 16-2).

Review of disbursements revealed purchases of movie passes to be given to staff members and students. The purchase of gift cards with IAF funds for MCPS employees is prohibited (see MCPS Financial Manual, p. 20-6). If gift cards are used as rewards to students, the distribution must be accounted for with the signature of each student acknowledging receipt of the gift card.

As part of the restaurant management curriculum, your school operates a Café for staff twice a week. Although customer order forms were being used, we found that they were not pre-numbered and that funds were not being remitted to the financial specialist on each day of operation. The management of IAF's must be in accordance with good business practices that include sound accounting procedures and internal controls, incorporating the capability to reconcile the beginning and ending number of the order forms issued to the funds received each day (see MCPS Financial Manual, p. 20-1). We recommend that all customer orders be recorded on a pre-numbered order form, annotated to indicate the amount of payment received, and submitted to the financial specialist with funds collected each day.

Summary of Recommendations

- Staff appreciation and meeting refreshment expenditures combined may not exceed a specified total amount for a fiscal year without prior approval of the COO (repeat);
- Payments to MCPS employees must be processed through the MCPS payroll system (repeat);
- Equipment must be controlled in accordance with MCPS Regulation EDC-RA;

- Gift cards purchased for MCPS employees with IAF funds is prohibited; and
- Business practices should include sound accounting procedures and internal controls.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially that of Mrs. King and Mrs. Saul. 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 Mrs. Beth Schiavino-Narvaez, community superintendent. The Office of School Performance will follow up on this audit.

RWP:MJB:sd

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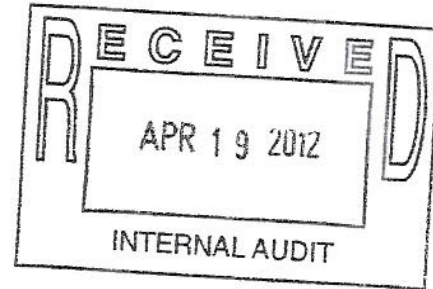
Mr. Bowers
Dr. Lacey
Mr. Talley
Mrs. Schiavino-Narvaez
Mrs. DeGraba
Mrs. Milwit
Mr. Doody



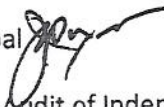
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Office of the Principal
 301-989-5604

April 13, 2012



MEMORANDUM

To: Dr. Myra Smith, Acting Community Superintendent
 From: Jeanette Dixon, Principal 
 Subject: Response to Report of Audit of Independent Activity Funds for the period
 October 1, 2010 through January 31, 2012

I have read *the Report of Audit of Independent Activity Funds for the Period October 1, 2010 through January 31, 2012* and will act to comply with the recommendations as best I can.

The following actions have or will be taken to address concerns raised in the audit report:

We will monitor the expenditures of the IAF account 11 (Staff Refreshments) and IAF account 20 (Staff Appreciation) to comply with the \$45.00 per FTE allocation set for the in the August 4, 2008 memorandum from the Chief Operating Officer. It is extremely important to me that I be able to retain staff and for staff to feel appreciated for their dedication and hard work. If we find the need to exceed the allocation, we well request additional expenditure approval through the Chief Operating Officer. I also am asking that the Chief Operating Officer to consider raising the \$45.00 per FTE as this was set four years ago. Because of the economy and rising prices, this amount does not meet the needs of Paint Branch High School.

In response to the purchase of food for the coaches meetings: Food was purchased and charged to account 100/5023 (Refreshments/Meals) as per the MCPS Athletic Handbook-section titled *The Athletics Director's Guide to Sub-codes*, which states the sub-code could be used for, "booster club meetings, coaches meetings, parent meeting or banquet, or athletic director's meeting". It was not the intention of Paint Branch High School to charge this expenditure to an incorrect account.

In response to purchases charged to incorrect accounts: Paint Branch HS purchased 3 kindles. 2 were for staff for instructional purposes and were charged to account 20 (staff appreciation), and 1 was purchased for a student, charged to account 40 (media center), a student account. It was not the intention of Paint Branch High School to charge the student purchase to the incorrect account. This purchase was made using a student account.

The stipend paid by the College Board for the administration of the AP examinations will be paid to the employee through the MCPS payroll system.

All equipment purchased by the school will be bar coded. Equipment assigned to staff for an extended period of time will be recorded on form 234-23, *Receipt and Bond Form for Equipment Loan*.

In response to the concern regarding a numbered receipt for sales to staff: A computerized system will be installed in the Panther Paw (restaurant management curriculum) when we move into the new building which will address the numeric order form concern which has never been mentioned in the 11 years I have been principal. The restaurant management teacher is aware that she is to submit deposits on a daily basis and has been reminded of such.

Gift cards which were given to staff and students for going above and beyond on behalf of the school will not be purchased in the future. We were not aware this was prohibited.

Finally, I take the stewardship of the IAF funds very seriously. Paint Branch High School has always administered the IAF funds in a transparent manner using sound accounting procedures and internal controls and will continue to do so.

Copy to:

Mr. Bowers
Dr. Lacey
Mr. Talley
Mrs. Schiavino-Narvaez
Mrs. DeGraba
Mr. Pisha
Mrs. Milwit
Mr. Doody
Ms. King
Ms. Saul