


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

January 9, 2014

MEMORANDUM

To: Dr. Myriam A. Rogers, Principal
Paint Branch High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
February 1, 2012, through September 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 December 5, 2013, with you, Mrs. Benie King, school business administrator, and Mrs. Cynthia Saul, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated March 23, 2012, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2013. 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

Any balance remaining in a class account after the class has graduated and has had an opportunity to determine the disposition of the balance, may be closed out to the general fund at

the beginning of the next school year. Transfers of these funds may be made only after MCPS Form 281-46, *IAF – Transfer*, has been executed by both the account sponsor and the principal. We found that remaining funds of the Classes of 2012 and 2013 had been transferred to the general fund without evidence that those classes had been given the opportunity to determine how the funds should be used, and without evidence of account sponsor approval. We recommend the school develop a process to ensure that senior classes be given the opportunity to determine the disposition of remaining class funds prior to their graduation (see MCPS Financial Manual, p. 20-11).

Cash and checks collected for IAF activities by sponsors and other authorized individuals must be remitted to the financial specialist together with MCPS Form 280-34, *Remittance Slip*, on the day the funds are received. We found instances in which staff collecting funds for field trips and transcript fees were holding funds rather than remitting them timely to the financial specialist. We recommend that all staff who collect funds for school activities be reminded of remittance requirements (see MCPS Financial Manual p. 7-4).

In accordance with the February 18, 2011, memorandum from the chief operating officer (COO), reimbursement to staff from MCPS budgeted funds, or from a school's IAF, for the purchase of an E-ZPass transponder and associated tolls is prohibited. We found that the former principal was reimbursed from the school's IAF for an E-ZPass transponder, tolls, and related fees for traversing the Intercounty Connector (ICC) from December 2011 through July 2012. We recommend staff be reminded of this memorandum previously emailed to all MCPS employees.

All equipment acquired by a school, whether by gift or purchase, 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. We again found several items of equipment acquired with IAF funds that were not added to the school inventory as required. We recommend appropriate staff familiarize themselves with property control procedures to ensure compliance.

MCPS purchasing card members must record purchases on transaction logs and submit them monthly with invoices and receipts attached for review and approval by the principal. Monthly summary reports from American Express are to be reviewed, signed and dated by the principal to ensure that purchases are appropriate and within established limits. We found that although logs appeared to be complete with card members invoices and statements attached, they had not been reviewed and signed by the former principal for several months in FY 2013. In addition, some monthly summary reports were not signed and others could not be located. We recommend compliance with the requirements of the MCPS *Purchasing Card Users Guide*.

Contributions to a charitable organization are prohibited, unless funds have been contributed by students for a specific charity and advertised with full disclosure (see MCPS Financial Manual, p. 20-6). We could not locate any documentation to indicate principal approval for one charity drive, its purpose, or the staff member designated as the sponsor. However, we did note that the former principal supplemented the \$896.76 collected for this activity with additional funds from

other IAF accounts to disburse a total of \$1,930 for the benefit a school in Haiti. We recommend that future charity drives be approved by the principal in writing prior to advertisement and collection of funds, with the benefitting organization clearly defined, and the donation to the charitable organization be made in the exact amount collected.

Admission receipts for athletic and non-athletic events should be controlled according to MCPS Regulation DMB-RA, *Control of Admission Receipts*. Admissions must be controlled with serially numbered tickets, separation of duties, use of the required MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, for tracking and reconciling sales, and perpetual inventory of tickets. We found that controls were weakened by combining the duties of the ticket controller with those of the admissions manager for several events, an action prohibited by the regulation. Unsold tickets were not retained for all events, ticket forms for FY 2013 could not be located during our audit, and forms on file for the remainder of the audit period did not always include all required signatures. The perpetual inventory did not include information sufficient to track distribution of tickets, and had not been updated since FY 2012. In addition, one roll of tickets was lost by a sponsor with no evidence that it had been accounted for in the ticket inventory.

The December 14, 2012, memorandum from the chief operating officer (COO) provided guidance to schools on accounting for external exam fees and associated waivers. We found that use of the exam assistance account did not follow the prescribed process. The AP Exam account had unrelated transactions recorded in it, and indicated a balance of over \$27,000. Also, we noted that late fees had been charged even though these fees were not due to College Board, while some of these late fees were in excess of the amount normally charged by the vendor. We recommend that you meet with testing and financial staff to review procedures and to develop a plan to ensure that funds collected each year are appropriately used to support the AP testing programs.

Summary of Recommendations

- Graduating classes must be given the opportunity to determine the disposition of remaining class funds prior to their graduation;
- Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the financial agent for timely deposit to the bank;
- Reimbursement to MCPS staff for E-ZPass expenses is prohibited;
- Equipment must be controlled in accordance with MCPS Regulation EDC-RA (repeat);
- Purchase card transactions must be reviewed and approved by the principal;

- Contributions to charitable organizations must be advertised in advance, and disbursed in the exact amount collected;
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA; and
- Exam fees and associated waivers should be accounted for according to the December 14, 2012, memorandum from the COO.

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. Christopher S. Garran, associate superintendent of high schools. The Office of School Support and Improvement will follow up on this audit.

RWP:DKH:sd

Copy to:

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



PAINT BRANCH HIGH SCHOOL

NATIONAL BLUE RIBBON SCHOOL OF EXCELLENCE

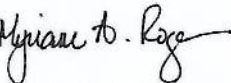
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Myriam A. Rogers, Ed.D.
Principal

January 24, 2014

To: Roger W. Pisha, Supervisor Internal Audit

From: Myriam A. Rogers, Principal 

RE: Report on Audit of IAF for the Period 2/1/12- 9/30/13

I am in receipt of your audit report dated January 9, 2014 in reference to the aforementioned dates. On behalf of our school community, I would like to thank you for a thorough audit and a positive meeting on December 5, 2013, that included commendations and areas of opportunity. You identified several findings that referred to practices that occurred prior to my arrival date of July 1, 2013 at Paint Branch High School. As a result of the areas of opportunity, the following upgrades have been implemented at Paint Branch High School. I truly thank you for sharing your expertise and suggesting upgrades that can only help to strengthen our practices.

<i>Finding</i>	<i>Resolution</i>
Graduating classes must be given the opportunity to determine the disposition of remaining class funds prior to their graduation.	Effective with the Class of 2014, the <i>financial specialist</i> will ensure that all future graduating class officers and sponsors provide a written plan and signatures on the proper funds transfer forms in reference to the disposition of remaining class funds prior to graduation. Students will provide at least two plans of action prior to graduation.
Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the financial agent for timely deposit to the bank.	All sponsors have been reminded of the expectation. Staff members who do not meet this expectation will have it documented and be relieved of their sponsor duties if a pattern of behavior is found to exist.
Reimbursement to MCPS for E-Z Pass expenses is prohibited	MCPS staff will not be reimbursed for E-Z pass expenses in accordance with MCPS policies and guidelines.
Equipment must be controlled in accordance with MCPS Regulation EDC-RA (repeat)	The <i>Business Manager</i> will coordinate the inventory of all future property acquisitions that are purchased with IAF funds as required by MCPS Regulation EDC-RA before the materials are distributed. Additionally, the Business Manager will work with appropriate central office personnel and our media services technician to ensure that all previous purchases are added to the school inventory as required. (Completion date: 2/28/14)
Purchase card transactions must be reviewed and approved by the principal.	All logs and statements have been reviewed, approved and signed by the <i>principal</i> since July 2013. We will continue to comply with the requirement of the MCPS Purchasing Card Users Guide.



Myriam A. Rogers, Ed.D.
Principal

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<p>Contributions to charitable organizations must be advertised in advance and disbursed in the exact amount collected</p>	<p>All fundraisers have been approved in writing by the <i>principal</i> in advance with copies retained in the financial office since July 1, 2013. Upon completion of fundraisers, all funds have been collected and transferred where appropriate to charitable organizations in the exact amount collected in accordance with MCPS Financial Manual by the <i>financial specialist</i> and <i>business manager</i>.</p>
<p>Admission events must be conducted in accordance with MCPS Regulation DMB-RA</p>	<p>The duties of ticket controller and admissions manager will remain separate in order to strengthen the internal controls for tickets. Additionally, a perpetual ticket inventory has been created with the exemplar shared by the audit office by the <i>business manager</i>. The business manager has placed a priority on ensuring that admission receipts are controlled properly and that recordkeeping is in accordance with MCPS standards.</p>
<p>Exam fees and associated waivers should be accounted for according to the December 2012 memorandum from COO</p>	<p>Testing and financial staff met with the <i>principal</i> to review the procedures and to develop a plan to disburse existing funds to support the AP program over time. Online registration, Prep U, and Turnitin.com are a few of the support programs that have been put in place. All funds collected will be appropriately used to support the AP programs. Accounting for external exam fees and associated waivers will be conducted in accordance with the guidelines from the chief operating officer memorandum.</p>

Per the expectations of MCPS and the guidelines indicated in the MCPS Financial Manual, we will continue to make improvements.