


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

July 19, 2012

MEMORANDUM

To: Mrs. Monifa McKnight, Principal
Ridgeview Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
December 1, 2009, through April 30, 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 20, 2012, with you and Mrs. Debra Hogan, financial specialist, we reviewed the status of the conditions described in our prior audit report dated February 17, 2010, 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. It should be noted that you were appointed to the position of principal on July 1, 2011, and were on leave for a period of time subsequent to your appointment, and thus you were not actively in the position for a significant part of the period under audit.

Findings and Recommendations

In our prior audit report, we noted several weaknesses in accountability over admission receipts for ticketed events, and we continue to find that processes for controlling ticket activities need improvement. 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. Although the financial specialist now maintains a perpetual inventory of tickets in use by the school, the inventory did not always correspond to the ticket numbers on individual reports, and in some instances, required signatures were missing from the report forms. We recommend that procedures for sale of tickets be reviewed with appropriate staff, and that admissions be controlled in accordance with MCPS Regulation DMB-RA, *Control of Admission Receipts*.

Disbursement of IAF must be controlled in a number of ways. All purchases must be approved in advance and in writing using MCPS Form 280-54, *Request for a Purchase*. After the purchase is completed, the purchaser should submit the invoice or documented evidence of purchase, annotated to indicate the satisfactory receipt of the goods or services, to the financial specialist. Although we found that controls over disbursements in our sample generally adhered to procedures in the MCPS Financial Manual, we found staff development expenses were recorded in various accounts and paid with funds from student sources, a staff member was reimbursed for several purchases on personal credit cards that earned benefits for the card member, invoices were not initialed or signed by sponsors to indicate satisfactory receipt of goods or services, and documentation was inadequate or missing for four disbursements. We recommend that procedures related to these issues be reviewed with appropriate staff to ensure compliance (see MCPS Financial Manual, p. 20-5).

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 noted that most sponsors signed, dated, and returned reports, and the financial specialist had established a checklist to track returned reports, but still we could find no evidence that the financial specialist followed up on those not returned. We recommend a procedure be established to ensure that all statements are reviewed and returned (see MCPS Financial Manual, p. 20-9).

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the financial specialist. Cash should be counted in the presence of the remitter, and a receipt that is supported by the remittance advice should be issued promptly. We found instances in which funds were held rather than remitted and deposited on a daily basis. We also found that the financial specialist collected funds directly from students for yearbook, drama, and other activities where she was not the sponsor of record, and that many remittance forms for those and other transactions were missing. To improve controls, we recommend that sponsors assigned to activity accounts be responsible for collecting and remitting funds to the financial specialist, that cash receipts be supported by sponsor remittance forms or other documentation as appropriate, and that staff review cash handling procedures (see MCPS Financial Manual, p. 7-4).

Once a check or receipt has been written, it shall not be erased or altered. If an error is discovered, the check or receipt should be marked "void" and a replacement issued. Any misprinted checks or receipts should be entered into the accounting system, and the voided checks and all three parts of any voided receipt forms should be defaced and retained. We found that rather than voiding checks or receipts in the general ledger, the financial specialist sometimes altered the transaction number and reprinted the check or receipt on new stock. Check and receipt stock did not conform to printer requirements that often resulted in misprints and number sequence errors. In addition, voided receipts were not kept intact so that all three parts of receipts could not always be found. We

recommend that checks and cash receipts written in error be properly voided in accordance with MCPS Financial Manual pp. 7-4 and 20-6.

The MCPS Financial Manual, p. 20-10, provides guidance on IAF account structure and utilization. The IAF chart of accounts is standardized for consistency in reporting. We found instances of nonconformity, and noted that sometimes transactions were not classified properly in appropriate accounts. For example, expenses and receipts for school plays were sometimes recorded in the general drama account rather than the play account, field trip expenses were sometimes recorded in the club account rather than the appropriate field trip account, and multiple activities, including MCPS reimbursements and grant activities, were recorded in one exchange account. Such commingling renders it difficult to evaluate the results of activities, and may allow a loss to go undetected. We recommend that the school's accounts be brought into compliance with the latest chart of accounts, and that guidelines for uses of funds be reviewed.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. Although most sponsors are submitting fund raiser request and completion reports, these reports did not include information required to analyze results. Most completion reports did not include the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to determine whether all sums collected were remitted to the financial specialist. 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.

Summary of Recommendations

- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (repeat);
- Adequate documentation must be provided to support disbursements;
- Personal credit cards used to make school purchases that accrue benefits to the card member should be discouraged;
- Staff development expenditures must be funded from non-student revenue sources;
- Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial agent;
- Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the financial agent for timely deposit to the bank;
- Checks and receipts that are voided must be defaced and retained;
- Record accounting transactions in conformity with the IAF chart of accounts; and
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*.

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 Support and Improvement will follow up on this audit.

RWP:DKH:sd

Copy to:

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

Fiscal Management Action Plan

School: Ridgeview Middle School

Principal: Monifa B. McKnight

Approved by community superintendent: _____ Date of approval: _____

| Findings and Recommendations of School's Financial Report | Description of Resolution And Person(s) Responsible | Timeline | Evidence of Completion |
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| <p>Admission events must be conducted in accordance with MCPS Regulation DMB-RA</p> | <p>Financial Specialist (FS) will keep inventory of all tickets in use for every school sponsored admission event, specifically sharing a ticket report with principal including start ticket report including ticket numbers used and color of tickets.</p> <p>Ticket forms will be started, signed, and dated by the Ticket Controller, prior to ticket sales beginning. FS will obtain and keep a copy on record of the original form signed when tickets were issued. FS will sign and date the form indicating the form has been reviewed and filed.</p> | <p>September 2012- June 2013</p> | <p>Ticket form will be completed and shared with principal after each school hosted ticketed event occurs.</p> <p>Ticket controller will be identified and approved by principal prior to each school sponsored ticketed event.</p> |
| <p>Adequate documentation must be provided to support disbursements;</p> | <p>Adequate documentations will be attached to each MCPS form 280-54. Financial Specialist and Principal will review 280-54s for thoroughness of description of reason for purchase and documentation.</p> <p>Financial Specialist will attach invoices, receipts, packing slips, to purchasing card logs. Principal will review.</p> <p>All invoices will be signed by FS and staff to indicate receipt of goods or services. This expectation will be reviewed with all staff in a memo and FS and Principal will review for appropriate documentation.</p> | <p>September 2012- ongoing</p> | <p>Thorough descriptions on requests.</p> <p>Appropriate forms attached to logs at time of audit.</p> <p>Signed invoices by FS and staff receiving any good for RMS.</p> |
| <p>Discourage personal credit card use by staff to make school purchases that accrue benefits to card member</p> | <p>Staff members are to use AMEX cards (if assigned) for purchases or submit purchase request to retain funds prior to purchase.</p> | <p>September 2012- ongoing</p> | <p>No future audit findings of this practice.</p> |

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| <p>Staff development expenditures must be funded from non-student revenue sources</p> | <p>This practice will be discontinued. Financial Specialist will establish separate staff vending account to help fund staff development needs.</p> | <p>September 2012-ongoing</p> | <p>Account will be established and reflected in monthly ledger.</p> |
| <p>Monthly account transaction statements provided to sponsors must be affirmed for correctness and returned to the financial agent</p> | <p>Financial Specialist will meet with each sponsor monthly to review account transaction and sponsor will sign and date report. Report will be shared with Mrs. McKnight at Monthly meeting. Non-compliance will be shared with principal for follow up.</p> | <p>September 2012-June 2013</p> | <p>Calendar of scheduled meeting with sponsors. Signature and dated monthly report from each sponsor.</p> |
| <p>Funds collected by sponsors must be promptly remitted using MCPS Form 280-34 to the financial agent for timely deposit to the bank</p> | <p>Financial Specialist and Mrs. McKnight will remind staff, particularly activity sponsors, in writing to comply with the guidelines for remitting funds collected. Financial Specialist will develop a report with all activity sponsors listed to document all funds collected throughout the year. Financial Specialist will share report and any non-compliance at monthly meeting with Principal for follow up.</p> | <p>September 2012-June 2013</p> | <p>Copy of email reminder sent to staff. Copy of report with all sponsors listed to document funds collected.</p> |
| <p>Checks and receipts that are voided must be defaced and retained</p> | <p>FS will utilize the "VOID" transaction button within the accounting software to void checks and receipts. Receipts will be retained for record keeping. FS will create void check and receipt files and file voids in numeric order for fiscal year</p> | <p>September 2012-ongoing</p> | <p>No future audit findings of this practice.</p> |
| <p>Record accounting transactions in conformity with the IAF chart of accounts <i>Fund raising for Sponsoring an IAF Guidelines for Sponsoring an IAF Fund Raiser</i></p> | <p>Record accounting transactions to provide a complete accounting of the results of an activity, etc-reflecting the IAF chart In compliance with MCPS Guidelines for Sponsoring an IAF, all fundraisers will be approved by the principal prior to the activity. The Financial Specialist has developed a notification system to ensure that the fundraising sponsors are following the system guidelines. All staff will receive a refresher during October</p> | <p>September 2012-ongoing September 2012- June 2013</p> | <p>Separate account is set up for each activity to monitor expenses. School-wide Staff refresher training Training documents and presentation will be posted in T-shared for staff.</p> |

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| | Staff meeting and guidelines/information will be posted in Finances folder in T-shared | | |
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Note: A copy of the approved plan is to be sent to the Internal Audit Office, URSC suite 3380

