


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

October 18, 2012

MEMORANDUM

To: Dr. Nelson McLeod, Principal
Richard Montgomery High School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
April 1, 2011, 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.

We appreciated the opportunity to meet with you, Ms. Ozmara Hernandez, business administrator, and Mrs. Jennifer Yu, financial specialist, on October 16, 2012, to discuss the results of our audit. At our meeting, we noted the progress made to improve conditions described in our previous report dated June 17, 2011, such as the receipt of all guaranteed picture commissions and the retention of all field trip approval forms. We also noted that you, the business administrator, and the financial specialist last attended IAF financial training in 2009, and recommend attendance again this year to receive updated information. 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

While we commended you for progress made, some conditions continue to need improvement. MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides requirements for the accounting for sales of admission tickets. We again found that the current MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, was not consistently used to control each day's ticket sales. Drama productions continued to use one ticket for multiple performances, complimentary tickets were issued from the same ticket sequence offered for sale, and reports of online sales were not provided to the business office so that reconciliation could be completed. Pre-numbered tickets were not issued by the ticket controller for the FY2012 homecoming dance and the FY2011 prom, and receipts were not reconciled to the available tokens created by the admission managers of these events. We recommend that admission to all events be controlled in accordance with the above cited regulation.

MCPS Form 280-54, *Request for a Purchase*, is used to obtain principal approval to proceed with an intended purchase. Once the purchase has been completed, invoices should be signed by the purchaser to indicate that goods or services were received in the quantity and quality required (see MCPS Financial Manual, p. 20-5). In our sample of disbursements, we again found that invoices were not marked to indicate purchased items were satisfactorily received. We recommend that supporting documentation be so marked by the recipient to assure controls are achieved.

In addition to the above weaknesses previously identified, additional conditions in controls need to be strengthened. Equipment purchased with IAF become the property of MCPS and are subject to MCPS Regulation EDC-RA, *Control of Furniture and Equipment Inventory*. We noted equipment purchased by the school that had not been added to the MCPS inventory and affixed with barcodes. We recommend that staff review the policy to ensure that equipment is properly coded and the inventory adjusted.

In order to properly control receipts, collected funds should be remitted to the financial specialist promptly, intact, and accompanied by proper documentation. We found instances in which funds were held by sponsors for extended periods rather than remitted promptly, that some expenses had been paid out of collected funds, and that some staff members failed to complete the proper MCPS Form 280-34, *Independent Activity Fund Remittance Slip*. To improve controls, we recommend close adherence to the procedures in the MCPS Financial Manual, pp. 7-3, 7-4.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found a lack of adherence to these guidelines. Following these internal control procedures provides for accountability of funds raised as well as the opportunity to evaluate the results at the conclusion of the event. Each fund raiser should be approved by the principal in writing and the approval retained in the school office. Financial activities for each fund raising activity should be recorded in a separate account in the 800 series and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-11).

Summary of Recommendations

- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (repeat);
- Receipt of goods or services must be confirmed prior to disbursement (repeat);
- Equipment purchases must be inventoried and bar-coded in accordance with MCPS Regulation EDC-RA;
- Funds collected must be remitted promptly and intact by sponsors to the financial agent using MCPS Form 280-34; and
- Fund raising must conform to *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Ms. Hernandez and Mrs. Yu. 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. Donna S. Hollingshead, community superintendent. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Mr. Bowers
Dr. Statham
Dr. Schiavino-Narvaez
Dr. Marks
Dr. Hollingshead
Mrs. DeGraba
Mrs. Milwit
Mrs. Chen

Fiscal Management Action Plan

School: Richard Montgomery High School

Principal: Dr. Nelson McLeod

Approved by community superintendent: _____

Date of approval: _____

Findings and Recommendations	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Admission events must be conducted in accordance with MCPS Regulation DMB-RA</p>	<p>The principal met with the drama directors to review the MCPS regulations and procedures regarding control of admission receipts and online sales.</p> <p>The financial specialist and business administrator will conduct an in-service training for staff regarding proper procedures twice a year.</p> <p>The school business administrator will meet with the principal monthly.</p>	<p>October 25, 2012</p> <p>December 2012 August 2013</p> <p>Monthly</p>	<p>Memorandum to sponsors</p> <p>Packets distributed to staff Sign-in sheets from training</p> <p>Meeting Agendas</p>
<p>Receipts of goods or services must be confirmed prior to disbursement</p>	<p>The financial specialist has been reminding all staff via email or at the time that invoices are submitted for payment, that invoices should be signed and/or packing slip attached indicating that all goods and services were received prior to the disbursement taking place.</p> <p>The financial specialist and school business administrator will conduct an in-service training for staff regarding proper procedures twice a year.</p> <p>The school business administrator will meet with the principal monthly.</p>	<p>On going</p> <p>December 2012 August 2013</p> <p>Monthly</p>	<p>Email reminders</p> <p>Packets distributed to staff Sign-in sheets from training</p> <p>Meeting Agendas</p>
<p>Equipment purchases must be inventoried and barcoded in accordance with MCPS Regulation EDC-RA</p>	<p>The item found not to be in compliance has already been barcoded and added to our inventory list.</p> <p>The school's inventory list will be monitored on a monthly basis.</p>	<p>June 2012</p> <p>On going</p>	<p>Complete inventory list</p>
<p>Funds collected must be remitted promptly and intact by sponsors to the financial specialist using MCPS form 280-34</p>	<p>The financial specialist and school business administrator are meeting with sponsors to communicate proper procedures when handling funds collected.</p> <p>The financial specialist and school business administrator will conduct an in-service training for staff regarding proper procedures twice a year.</p> <p>The school business administrator will meet with the principal monthly.</p>	<p>On going</p> <p>December 2012 August 2013</p> <p>Monthly</p>	<p>Email reminders</p> <p>Packets distributed to staff Sign-in sheets from training</p> <p>Meeting Agendas</p>
<p>Fund raising must conform to <i>Guidelines for Sponsoring an Independent Activity Fund, Fund Raiser</i></p>	<p>The financial specialist and school business administrator are meeting with sponsors regarding proper procedure for fund raisers.</p> <p>The financial specialist and school business administrator will conduct an in-service training for staff regarding proper procedures twice a year.</p> <p>The school business administrator will meet with the principal monthly.</p>	<p>On going</p> <p>December 2012 August 2013</p> <p>Monthly</p>	<p>Email reminders</p> <p>Packets distributed to staff Sign-in sheets from training</p> <p>Meeting Agendas</p>