


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

January 9, 2014

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
May 1, 2012, through October 31, 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 17, 2013, with you, Ms. Ozmara Hernandez, business administrator, and Mrs. Jennifer Yu, financial specialist, we reviewed the status of the conditions described in our prior audit report dated October 18, 2012, and the status of present conditions. 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. In our sample of disbursements, prior approval was not consistently obtained. By requiring prior approval, the principal retains control over the expenditure of IAF funds. We recommend that Form 280-54 be prepared by staff and signed by the principal at the time verbal approval is sought. Certain sponsors would benefit from preparing an annual budget detailing expected income and expenses and obtaining your approval at the beginning of the school year. These budgets should be monitored by your financial specialist and revised if necessary. 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 again that equipment purchased by the school (three digital cameras) 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.

With certain exceptions, any disbursement of more than \$7,500 or any contract with an anticipated aggregate expenditure of more than \$7,500 requires the prior written authorization of the chief operating officer. During our review of disbursements, we found the school had expended sums in excess of the limit to purchase outdoor security cameras without the required approval. We recommend all purchases of equipment be coordinated with MCPS Division of Procurement to assure approvals and controls are achieved (see MCPS Finance Manual, p. 20-4).

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 again found instances in which staff collecting funds 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).

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund Raiser*. We found that there was a lack of adherence to these guidelines by the athletic department. 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 fundraising account and a completion report prepared that analyzes the results (see MCPS Financial Manual, p. 20-12).

MCPS Regulation DMB-RA, *Control of Admission Receipts*, provides requirements for the accounting for sales of admission tickets. We again found that MCPS Form 280-50, *Tickets and Cash Report of Admissions Manager*, was not properly completed by the ticket controller when tickets were issued to the admission manager. Other weaknesses include use of the same color ticket for different admission prices at the same event, and tickets for Mr. Richard Montgomery were printed and numbered at the school by the event sponsor. This effectively eliminated the vital control that results from having all tickets distributed by a ticket controller who is

independent of the event sponsor. We recommend that admission to all events be controlled in accordance with the above cited regulation.

Summary of Recommendations

- Expenditure of funds must be approved by the principal prior to procurement;
- Furniture and equipment control must comply with MCPS Regulation EDC-RA (repeat);
- Funds collected must be promptly remitted by sponsors to the financial agent using MCPS Form 280-34 (repeat) and promptly deposited in the bank;
- Fund raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser*; and
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (repeat).

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

RWP:MJB:sd

Copy to:

- Mr. Bowers
- Dr. Statham
- Dr. Schiavino-Narvaez
- Mr. Sanderson
- Dr. Garran
- 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: 2/27/14

Findings and Recommendations	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
Expenditure of funds must be approved by the principal prior to procurement	The financial specialist and business administrator will conduct a training at the staff meeting regarding proper process for obtaining pre-approval on purchases over \$250.	February 3, 2014	Packets distributed to staff Sign-in sheets from training
	The financial specialist and business administrator will meet with sponsors and send reminders via emails regarding proper procedures as needed.	On going	Email reminders
	The school business administrator will hold monthly meetings with the principal to discuss financial matters.	Monthly	Meeting Agendas
Furniture and equipment control must comply with MCPS Regulation EDC-RA	The three digital cameras found not to be in compliance have already been barcoded and added to our inventory list.	December 3 2013	updated inventory list
	Business administrator will be responsible for seeking prior approval from the chief operation officer on any disbursement of more than \$7500.	On going	
	Inventory list will be updated by the business administrator monthly.	On going	
Funds collected must be remitted promptly and intact by sponsors to the financial specialist using MCPS form 280-34	The financial specialist and school business administrator will conduct a training for staff at the faculty meeting regarding proper procedures when handling funds collected.	February 3, 2014	Packets distributed to staff Sign-in sheets from training
	The financial specialist and business administrator will meet with sponsors and send reminders via emails regarding proper procedures as needed.	On going	Email reminders
Fundraising must conform to <i>Guidelines for Sponsoring an Independent Activity Fund, Fund Raiser</i>	The principal will meet with the athletic director to review the MCPS regulations and procedures regarding the guidelines for sponsoring IAF fundraisers.		Memorandum to athletic director
	The financial specialist and school business administrator will conduct a training for staff at the faculty meeting regarding proper procedures for sponsoring IAF fundraisers.	February 3, 2014	Packets distributed to staff Sign-in sheets from training
	The financial specialist and business administrator will meet with sponsors and send reminders via emails regarding proper procedures as needed.	On going	Email reminders
Admission events must be conducted in accordance with MCPS Regulation DMB-RA	The principal will meet with the Student Government Association sponsors to review regulations and procedures regarding admission events.		Memorandum to sponsors.
	The financial specialist and school business administrator will conduct a training for staff at the faculty meeting regarding proper procedures for admission events	February 3, 2014	Packets distributed to staff Sign-in sheets from training
	The financial specialist and business administrator will meet with sponsors and send reminders via emails regarding proper procedures as needed.	On going	Email reminders