


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

October 23, 2015

MEMORANDUM

To: Dr. Joey N. Jones, Principal
Robert Frost Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
July 1, 2013, through June 30, 2015

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 October 13, 2015, with you and Mrs. Debra Yamada, financial specialist, we reviewed the status of the conditions described in our prior audit report dated August 7, 2013, and the status of present conditions. We commend you for the progress made to strengthen financial controls over the sale of PE clothing. 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

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly with a complete MCPS Form 280-34, *Remittance Slip*, to the

financial specialist. The funds should be counted in the presence of the remitter, a receipt that is supported by Form 280-34 promptly issued, and a prompt deposit made (see MCPS Financial Manual, p. 7-4). We found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis, and cash was not always counted in the presence of the remitter. To minimize the risk of loss and provide assurance that available funds will be fully utilized to meet school needs, all funds collected should be remitted to the financial specialist daily for prompt deposit. To mitigate these weaknesses, we recommend strengthening internal control processes in accordance with MCPS procedures.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund Fund-Raiser*. Some completion reports submitted at the conclusion of the activity did not fully evaluate results, and insufficient information had been provided by the sponsor to allow the financial specialist to independently analyze the fund-raisers so that proceeds could not be promptly transferred at the conclusion of the fund-raiser. A completion report for an activity involving the sale of items should include the total number of items for sale, selling prices, and any remaining inventories 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 activity (see MCPS Financial Manual, pp. 20-12, 20-13).

Use of the MCPS purchasing card must be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review transactions. Monthly statements must be printed and provided to the principal, with all purchase receipts and invoices attached. The principal must review each cardholder's transactions and approve them by the tenth of the following month, using the online reconciliation program. Transactions on the principal's cards are to be reviewed and approved by the associate superintendent. We found that some cardholders had not promptly prepared their monthly statements, provided their purchase receipts, or reviewed their transactions in the online reconciliation program. We also found that the principal had not approved all transactions online. Action is needed to correct these conditions and bring purchasing card usage into conformity with MCPS requirements.

Summary of Recommendations

- Funds collected by sponsors must be promptly remitted to the financial specialist and promptly verified and receipted;
- Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results and to allow for the prompt transfer of the proceeds to the benefiting account; and
- Purchase card activity must comply with the MCPS *Purchasing Card User's Guide*.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff, especially Mrs. Yamada. 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. Darryl L. Williams, associate superintendent of secondary schools. The Office of School Support and Improvement will follow up on this audit.

RWP:VAD:sd

Copy to:

Dr. Zuckerman
Dr. Statham
Dr. Navarro
Dr. Williams
Mrs. Chen
Mrs. DeGraba
Mrs. Milwit
Dr. Zarchin

Fiscal Management Action Plan

School: Robert Frost Middle School Principal: Dr. Joey N. Jones

Approved by associate superintendent: _____ Date of approval: _____

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Funds collected by sponsors must be promptly remitted to the financial specialist and promptly verified and receipted;</p>	<p>A memo was sent to staff members, reminding them to submit funds collected, daily. Ms. Yamada (SFS) will count and verify funds collected by the sponsors, in their presence.</p> <p>Tamper proof bags have been purchased to hold funds if verification is not possible on the day of collection.</p>	<p>Nov. 20, 2015</p>	<p>Independent Activity Fund (IAF) Guidelines memo, dated 11.20.15</p>
<p>Fund-raiser completion reports prepared by sponsors must provide sufficient information to analyze results and to allow for the prompt transfer of the proceeds to the benefiting account</p>	<p>Ms. Yamada (SFS) will meet with staff members conducting fundraisers to advise them of the paperwork required to fully analyze the results.</p> <p>Profits will be transferred to the benefiting account promptly after the completion report is submitted.</p>	<p>Nov. 30, 2015</p>	<p>Meeting agenda (copy)</p> <p>Sign-in Roster of fundraiser sponsors who attend the meeting</p>
<p>Purchase card activity must comply with the MCPS <i>Purchasing Card User's Guide</i></p>	<p>Dr. Jones and Ms. Yamada will facilitate a meeting with the purchase card holders to review expectations as noted in the <i>Purchasing Card Users Guide</i>. Emphasize the use of a monthly checklist.</p> <p>Dr. Jones will note approval dates (10th of each month) on Outlook calendar as a reminder to approve purchase transactions.</p> <p>Purchase card users will note the transaction reconciliation dates (5th of the month) on their Outlook calendar as a reminder to reconcile their transactions.</p>	<p>Dec. 7 – 11, 2015</p>	<p>Meeting agenda & monthly checklist (copy)</p> <p>Outlook Calendar (copy)</p> <p>Card Holder's Outlook Calendar (copy)</p>

Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.