


Office of Shared Accountability
MONTGOMERY COUNTY PUBLIC SCHOOLS
Rockville, Maryland

March 14, 2016

MEMORANDUM

To: Mrs. Jewel A. Sanders, Principal
Rosa M. Parks Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period
March 1, 2015, through January 31, 2016

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 March 11, 2016, with you and Mr. Albert Sisco, financial specialist, we reviewed the status of the conditions described in our prior audit report dated May 7, 2015, and the status of present conditions. It should be noted that your appointment as principal was effective July 1, 2015. 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

Effective internal control includes the receipt and review by the principal of the unopened monthly bank statement, bank reconciliation report and ledger reports in a timely manner.

Review of these important reports must be evidenced by the principal's signature and date. We found that these important reviews were not completed consistently during the audit period. We recommend you initiate a process that ensures this important internal control process occurs monthly (see MCPS Financial Manual, p. 20-9).

Cash and checks collected by sponsors and others for IAF activities should be remitted promptly to the financial specialist. These receipts must be deposited promptly, and all receipts must be deposited on the last working day of each month and before each weekend or holiday (see MCPS Financial Manual, p.7-4). The funds should be verified in the presence of the remitter with a receipt issued promptly. In the event funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope in such a manner that tampering will be evident, and either place the sealed envelope in the business office safe or receive written acknowledgement that it was provided to the financial specialist. These funds will be verified in the presence of the remitter as soon as possible thereafter. We found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. Also, there was no process for securing funds when the financial specialist was unable to verify them. To improve controls, we recommend adoption of the procedures in the MCPS Financial Manual, pp. 7-3, 7-4, and that staff be encouraged to submit cash and checks collected for IAF activities to the financial specialist for prompt deposit in accordance with MCPS policy and procedures.

Sponsors of field trips should have a complete class or club roster of student names to annotate the amount each student paid, eligible students who did not participate in the trip, and students who received waivers, scholarships or reduced fees. This data should be provided to the financial agent at the completion of each trip, and compared to remittances recorded in the trip account history report. The data also should be used to estimate future trips. We again found that not all sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report. We also found an instance in which funds collected exceeded that needed to pay for a trip as well as trip accounts that were not closed out at end of year. We recommend trip sponsors use MCPS Form 280-41, *Field Trip Accounting*, or its equivalent, for recording of trip fees and provide complete data at the completion of each trip (see MCPS Financial Manual, p. 20-10).

The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged as well as the number of books distributed free of charge, and the ending inventory (see MCPS Financial Manual, p. 20-13). These records must be submitted to the financial specialist at the conclusion of the activity to provide data for reconciliation. We found no invoice on file and the records kept by the yearbook sponsor did not enable us to reconcile the number of books purchased with the number sold, given free, and remaining in inventory. We were therefore again unable to determine that all funds generated from this activity had been remitted. We recommend the yearbook sponsor be counseled and assisted with the record-keeping required for this activity.

Summary of Recommendations

- Monthly financial reports must be signed and dated by the principal to indicate review;
- Cash control of school funds must be in accordance with chapter 7 of the MCPS Financial Manual;
- Field trip records prepared by sponsors must provide comprehensive data to account for all students eligible to participate, and to reconcile funds collected with costs of the trip (repeat); and
- Yearbook sponsor records must account for the number of books purchased, sold, distributed at no cost, and ending inventory (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. Eric Minus, director of middle schools. The Office of School Support and Improvement will follow up on this audit.

RWP:MJB:sd

Copy to:

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

Fiscal Management Action Plan

School: Rosa M. Parks Middle School

Principal: Mrs. Jewel Sanders

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
Some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. Also there was no process for securing funds when the financial specialist was unable to verify them.	The financial specialist has informed all sponsors that they must remit all cash and checks promptly. In the event that the financial specialist is out of the building sponsors will remit all funds in a sealed envelope to an administrator who will lock them in the school safe. Upon return the financial specialist will count the funds in the presence. We will have an on-boarding meeting with account sponsors which will include the correct process for handling school funds.	Pre-service week and ongoing.	Money is submitted daily and large sums of money are not collected at one time.
Not all field trip sponsors are providing completed data at the conclusion of each trip, and that data is not being compared to the final account history report.	All field trip sponsors have been given a new spreadsheet to keep track of data for comparison against the final account history report. The principal and financial specialist will have an on-boarding meeting with all field trip sponsors before each trip to review expectations and procedures.	Ongoing	All field trip data will be completed and submitted.
The yearbook sponsor is required to keep detailed records of the number of books sold, the price charged as well as the number of books distributed free of charge, and the ending inventory. The yearbook sponsor did not have an invoice on file and the records kept by the yearbook sponsor did not enable reconciliation of the number of books purchased with the number sold, given free, and remaining inventory.	The yearbook sponsor has been counseled by the auditor and financial specialist and assisted with the record-keeping required for this activity. The financial specialist will use the sponsor's data for reconciliation at the conclusion of this activity.	February 2016 and ongoing	The yearbook sponsor will have an invoice on file and records detailing the number of books sold, given free, and remaining inventory. These records will enable reconciliation of the yearbook account.
Effective internal control includes the receipt and review by the principal of the unopened	The principal opens all bank statements and reviews the bank reconciliation reports and ledger reports before the 20 th day of every month.	Ongoing	

monthly bank statement, bank reconciliation report and ledger reports in a timely manner.
Review of these important reports must be evidenced by the principal's signature and date.
We found that these important reviews were not completed consistently during the audit period.

Note: A copy of the approved plan is to be sent to the Internal Audit Office, URSC suite 3380