


Office of Shared Accountability  
MONTGOMERY COUNTY PUBLIC SCHOOLS  
Rockville, Maryland

August 25, 2015

MEMORANDUM

To: Mr. Edward K. Owusu, Principal  
Shady Grove Middle School

From: Roger W. Pisha, Supervisor, Internal Audit 

Subject: Report on Audit of Independent Activity Funds for the Period  
September 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 August 21, 2015, with you and Mrs. Sharon Buyukcan, financial specialist, we reviewed the status of the conditions described in our prior audit report dated November 18, 2013, 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. 20-4). 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. Invoices for goods or services must be signed by the purchaser to indicate satisfactory receipt. In our sample of disbursements, we found prior approval was not consistently obtained and again invoices were not always signed by the receiver. 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 and dated 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.

In order to properly control receipts, cash and checks collected by sponsors for IAF activities should be remitted promptly to the financial specialist with a remittance slip on the same day they are received to minimize the risk of loss or theft. The funds should be verified in the presence of the remitter, and a receipt should be 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. Verification of these funds will be conducted in the presence of the remitter as soon as possible thereafter. We again found that some sponsors were holding funds collected rather than remitting them to the financial specialist on a daily basis. Also, there was no clear 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.

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 always used as a reconciliation of tickets issued to tickets returned and recorded receipts. Other weaknesses include the lack of a perpetual inventory of tickets and use of the same type of ticket for different admission prices at the same event. We recommend that admission to all events be controlled in accordance with the above cited regulation.

Retail sales tax must be collected by the school and remitted to the State of Maryland on the sales of all taxable merchandise (see MCPS Financial Manual p. 18-2). Taxable merchandise includes yearbook, school store, fundraiser items, physical education clothing, and other items that become the personal property of the individual making the purchase. We found that sales tax was collected and remitted only on school yearbook sales, and not the online sales or Talent Show T-shirt sales. We recommend that the school move toward full compliance by working with sponsors to determine activities for which sales tax must be collected and ensure that prices are set appropriately to include the tax so that activities do not operate at a loss.

#### Summary of Recommendations

- Purchase requests must be approved by the principal prior to procurement;

- Purchaser must confirm receipt of goods or services prior to disbursement (repeat);
- Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the financial agent (repeat);
- Admission events must be conducted in accordance with MCPS Regulation DMB-RA (repeat); and
- Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.

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. Darryl L. Williams, associate superintendent of secondary 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  
Dr. Zarchin  
Mrs. Chen  
Mrs. DeGraba  
Mrs. Milwit



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“Give your best every day and your best will come back to you.”

September 25, 2015

MEMORANDUM

To: Mr. Roger W. Pisha, Supervisor Internal Audit

From: Mr. Edward Owusu, Principal

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

CC: Dr. Darryl Williams, Associate Superintendent

As a result of findings from the Report on Audit of Independent Activity Funds for the Period September 1, 2013, through June 30, 2015, Independent Activity Fund (IAFs) reporting procedures have been revised and reviewed with staff.

As discussed with and noted by Ms. Sona Davis, the internal auditor, at the exit conference, important and systematic improvements will be made from this point forward. My thanks to Ms. Davis for her thoroughness in her report and for taking the time to meet with several staff members to explain policies and procedures and the reasoning behind them.

The findings and recommendations of the report are addressed in the order they appear on the attached Fiscal Management Action Plan.

Thank you for your support and assistance in my efforts to keep Shady Grove Middle School on firm fiduciary reporting ground. Although I was disappointed by the initial report I am pleased by the flourishing implementation of significant improvements of management and accountability. I hope to continue to be able to call upon you and the services of your office to further improve the handling of Shady Grove's IAF reporting.

If you have any additional questions or need clarification, please let me know.

Copy to:  
Mr. Zukerman  
Dr. Statham  
Dr. Navarro  
Dr. Williams  
Mrs. Thomas  
Mrs. Chen  
Mrs. DeGraba  
Mrs. Milwit

## Fiscal Management Action Plan

School: Shady Grove Middle SchoolPrincipal: Edward Owusu

Approved by associate superintendent: \_\_\_\_\_

Date of approval: \_\_\_\_\_

<b>Findings and Recommendations of School's Financial Report</b>	<b>Description of Resolution And Person(s) Responsible</b>	<b>Timeline</b>	<b>Evidence of Completion</b>
<p><b>Findings</b> Cash Receipts: MCPS Form 280-54, Request for Purchase – explanation of purpose of each disbursement and principal approval prior to purchase. Unsigned invoices for goods and services to ensure satisfactory receipt.</p> <p><b>Recommendations</b> Purchase requests must be approved by the principal prior to procurement.</p>	<p>Financial Specialist will use a weekly Request for Purchase checklist. Prior to approval of purchases, MCPS form 280-54 will be reviewed for proper signatures and expenditure will be verified by Financial Specialist and Principal to ensure compliance with IAF Requirements. Form 280-54 shall be prepared by staff and signed and dated by Principal at the time verbal approval is sought. Invoices for goods and services will be signed on checklist to ensure satisfactory receipt.</p>	<p>August, September and October Staff and ILT meetings as well as Activity Sponsor Meeting. (August 27, September 8, October 5)</p> <p>Ongoing weekly meetings with Principal and Financial Specialist.</p>	<p>Staff will be made aware of expectations towards complete fidelity of financial accounts.</p> <p>Financial Specialist and Principal Meetings will continue to be held twice per week to review adherence to Action Plan. The Request for Purchases Checklist will be reviewed at these meetings.</p>
<p><b>Findings</b> Account sponsors held funds collected rather than remitting them to the Financial Specialist on a daily basis. Process for securing funds when the Financial Specialist was unable to verify stated funds is unclear.</p> <p><b>Recommendations</b> Funds collected by sponsors must be promptly remitted with MCPS Form 280-34 to the Financial Specialist.</p>	<p>All staff shall be reminded and expected to remit promptly all cash and checks collected to the Financial Specialist on the same day in order to properly control receipts. Funds shall be verified in the presence of the remitter and a receipt shall be issued to the remitter. In the event the funds cannot be verified immediately upon remittance, the remitter will seal the funds in an envelope within the Financial Specialist Office safe until verification in the presence of the remitter can be conducted with Financial Specialist.</p>	<p>August, September and October Staff and ILT meetings as well as Activity Sponsor Meeting. (August 27, September 8, October 5, 2015)</p> <p>Ongoing weekly meetings with Principal and Financial Specialist.</p>	<p>Staff will be made aware of expectations towards complete fidelity of financial accounts. Pre-numbered receipts shall be issued to remitters.</p> <p>Financial Specialist and Principal Meetings will continue to be held twice per week to review adherence to Action Plan.</p>
<p><b>Findings</b> Form 280-50, Tickets and Cash Report of Admissions Manager not consistently used as a reconciliation of tickets issued to tickets returned and recorded receipts.</p>	<p>All ticket sales shall be returned to the Financial Specialist Office on the day of sales and deposited that day. Ticket reports shall indicate ticket numbers given to ticket seller and then record the tickets returned. The form must be completed by ticket</p>	<p>October 2015</p> <p>Ongoing weekly meetings with</p>	<p>The Financial Specialist shall re-evaluate reconciliation of tickets issued and has purchased MCPS color coded tickets and amended admission pricing. These tickets will be used for each</p>

<p>Additionally, lack of perpetual inventory of tickets and use of the same type of ticket for different admission prices at the same event.</p> <p><b><u>Recommendations</u></b> Admission events must be conducted in accordance with MCPS Regulation DMB-RA</p>	<p>seller. Each roll of tickets shall be tracked from the beginning to the end. A separate account for change fund shall be created to track the return of all cash boxes.</p>	<p>Principal and Financial Specialist.</p>	<p>event adding a perpetual inventory form for tracking purposes.</p> <p>Financial Specialist and Principal Meetings will continue to be held twice per week to review adherence to Action Plan.</p>
<p><b><u>Findings</u></b> Sales tax was collected and remitted on school yearbooks, but not the online sales for yearbook or Talent Show T-Shirt Sales.</p> <p><b><u>Recommendations</u></b> Tax must be collected on taxable sales and remitted to the Comptroller of Maryland.</p>	<p>Financial Specialist along with account sponsors and Principal will determine and verify which activities sales tax must be collected and ensure that prices are set appropriately to include the tax so activities do not operate at a loss.</p>	<p>Ongoing weekly meetings with Principal and Financial Specialist.</p>	<p>Financial Specialist and Principal Meetings will continue to be held twice per week to review adherence to Action Plan.</p> <p>Meetings with Sponsors and Financial Specialist prior to sales of items. Changes will be added to year end checklist.</p>

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